Image Project Order File Cover Page

XHVZE

This page identifies those items that were not scanned during the initial production scanning phase. They are available in the original file, may be scanned during a special rescan activity or are viewable by direct inspection of the file.

| by direct inspection of the file | e. | |
|---|---------------------------------------|--|
| 0 047 Orde | er File Identifier | |
| Organizing (done) | ☐ Two-sided | ☐ Rescan Needed |
| RESCAN | DIGITAL DATA | OVERSIZED (Scannable) |
| ☐ Color Items: | ☐ Diskettes, No. | ☐ Maps: |
| Greyscale Items: Page | ☐ Other, No/Type: | Other Items Scannable by a Large Scanner |
| ☐ Poor Quality Originals: | | OVERSIZED (Non-Scannable) |
| ☐ Other: | | ☐ Logs of various kinds: |
| NOTES: | | ☐ Other:: |
| BY: Maria | Date: 2/23/07 | /s/ |
| Project Proofing | | |
| BY: Maria | Date: 2 23 07 | /s/ M |
| Scanning Preparation | x 30 = + | = TOTAL PAGES 74 (Count does not include cover sheet) |
| BY: Maria | Date: 2 23 07 | /s/ |
| Production Scanning | | |
| Stage 1 Page Count from | m Scanned File: 75 (Count does | include cover sheet) |
| Page Count Ma | tches Number in Scanning Preparation | TES NO |
| BY: Maria | Date: 2 23 07 | /s/ MP |
| Stage 1 If NO in stage 1 | , page(s) discrepancies were found: _ | YES NO |
| BY: Maria | Date: | /s/ |
| Scanning is complete at this point unless r | rescanning is required. | |
| ReScanned | | |
| BY: Maria | Date: | /s/ |
| Comments about this file: | Qı | uality Checked |

OTHER 47 PROPOSED REGULATIONS 20 AAC 25.001

| 1. | September 16, 2003 | Fax from AG Office R. Mintz re: Unocal's Application under SB 185 |
|----|--------------------|--|
| 2. | | Alternate Compliance and Waivers |
| 3. | October 02, 2003 | Public Notice |
| 4. | November 03, 2003 | E-mail re: revision1 to Alternate Compliance and Waivers |
| 5. | November 12, 2003 | E-mail submittal of AOGA comments on Proposed Regulations 20 AAC 25.001, Alternate Compliance and Waivers |
| 6. | November 12, 2003 | Revised submittal of AOGA comments on Proposed Regulations 20 AAC 25.001, Alternate Compliance and Waivers |
| 7. | November 13, 2003 | Sign in sheet for Public Hearing |
| 8. | November 13, 2003 | Transcript of Proceedings |

ALASKA OIL AND GAS CONSERVATION COMMISSION 1 2 PUBLIC HEARING 3 In Re: 4 Proposed Regulations 5 20 AAC 25.001 Alternate Compliance and Waivers. 6 7 TRANSCRIPT OF PROCEEDINGS Anchorage, Alaska 8 November 13, 2003 9 9:04 o'clocka.m. 10 11 COMMISSIONERS: 12 SARAH PALIN, Chairperson 13 DAN SEAMOUNT 14 15 ALSO PRESENT: 16 ROBERT MINTZ Assistant Attorney General 17 18 19 20 21 22 23 24 25

METRO COURT REPORTING



TABLE OF CONTENTS

Page 3

Page 4

Page 8

Pages 6-7

OPENING REMARKS BY CHAIRPERSON PALIN

CLOSING REMARKS BY CHAIRPERSON PALIN

TESTIMONY BY MARK WORCESTER

| 2 | ŀ |
|---|---|
| _ | |

| 4 | |
|---|--|
| - | |

DISCUSSION

METRO COURT REPORTING

PROCEEDINGS

(On record 9:04 a.m.)

1.9

CHAIR PALIN: We're on the record. I'd like to call this hearing to order. Today is Thursday, November 13th. The time is approximately 9:04. We're at the AOGCC offices at 333 West Seventh in Anchorage. The subject of today's hearing is the Commission's proposal to adopt Regulation 20 AAC 25.001.

For the record I'd like to introduce Commissioner Dan Seamount on my right, and Assistant Attorney General Rob Mintz on my left, and I am Sarah Palin, Chairman of the Commission. We also have with us today Metro Court reporter Laura Ferro. And if anybody wishes to have a copy of the hearing transcribed and copied to you, you may make arrangements directly with Metro.

Notice of the public hearing today was published in the Anchorage Daily News on October 3, 2003. And the Commission has received written comments from AOGA regarding this regulation change, and we're here today to accept any other public comments either in writing or orally. And I see that we do have two guests in the hearing room today. And the sign-up sheet indicates that Mark Worcester from Conoco Phillips would like to testify. And Theresa Rockhill, you won't be testifying?

MS. ROCKHILL: No.

METRO COURT REPORTING

CHAIR PALIN: Okay. All right. We would accept that testimony now. Mark, if you're ready, if you'll come forward. Thank you.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

MR. WORCESTER: Yes. My name is Mark I'm an attorney with Conoco Phillips but I'm Worcester. speaking today on behalf of AOGA. I will not read the comments that we have submitted. I figure you folks are quite capable of doing that. I would like to point out an error in the citation to the new federal regulation. I apologize for that. We'll submit a corrected copy. But the current federal regulation on this topic is at 30 CFR 250.141 and 142, instead of .241 and .242 as indicated in the letter. I have a copy here today and we can make some for you if you wish to have a I did not append the actual copies from the Code of Federal Regulations.

I just thought instead of reading it I would reiterate a few of the points that we made. And if there are any questions about them from the Commission, I'll attempt to respond to them.

Basically, we see this regulation proposal as a solution looking for a problem. We just -- we really don't see a problem with the current regulations that -- the current system that's been used by the Commission has been quite adequate to provide the necessary flexibility from the -- either the pool rules or statewide rules on a case-by-case

METRO COURT REPORTING

basis where the Commission has felt it appropriate under its general statutory language and constraints. And so in the absence of a problem, we're a little wary of attempting to insert what is basically a former federal regulation, and that language here which might restrict rather than ease the Commission's ability to do the right thing in a case-by-case And that's particularly true since the federal system does not have a pool rule system. We have statewide rules in Alaska, but almost every pool has pool rules that are essentially exceptions from the statewide rule. And there's no need in the statute now that there be an equivalence or something like that be proven before a pool rule be done. this -- unlike in the federal system there's a particularized scrutiny of each pool and then pool-specific and poolappropriate rules are made. And we think that's a very good system here where we tend to have large pools, and this rather particularized scrutiny has worked well as far as for both the industry and the Commission.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

The other thing that I guess I wanted to note was that the federal practice has actually changed. The regulation that served as the basis for this proposal is no longer the current federal proposal regulation. And we think there's more flexibility under the current federal regulation than there was under the one that was used as the basis for this proposal.

METRO COURT REPORTING

Finally, if some regulation is adopted on this subject, we believe it should be in the general provisions, and we'd suggest right after the section on pool rules would be the appropriate place rather than in the first section of the regulations which deals specifically and solely with drilling practices. With that I'll be quiet unless you have a particular question you'd like to ask.

CHAIR PALIN: Any questions for Mark?

COMMISSIONER SEAMOUNT: Looking at your proposed wording and the Commission's proposed wording, is the main difference about the standards for waivers determination, yours would be consistency with the statute, and the Commission's would be equivalence to the existing regulations?

MR. WORCESTER: That is probably the substantive difference.

COMMISSIONER SEAMOUNT: Okay.

MR. WORCESTER: Yes. There would be more discretion in the language we provided to do whatever is appropriate under the general statutory powers of the Commission, and not have to match -- prove equivalence with the existing regulation.

COMMISSIONER SEAMOUNT: Okay. Mr. Worcester, under -- on page two, what is it, subsection 1, the first sentence says we understand the Commission is inclined to delete subsection B. Could I ask you where you got that

METRO COURT REPORTING

| 1 | information? |
|----|---|
| 2 | MR. WORCESTER: That was hearsay information |
| 3 | that I got from Chris Phillips after a conversation with Rand |
| 4 | Ruedrich last week. So |
| 5 | COMMISSIONER SEAMOUNT: That's what I was |
| 6 | afraid of. |
| 7 | CHAIR PALIN: Okay. |
| 8 | MR. WORCESTER: Then I think we may have |
| 9 | received a I saw something that just had that subsection |
| 10 | without the others attached to it but I don't that's why we |
| 11 | did not state it as a fact. I did not know if it had actually |
| 12 | been renoticed or not. |
| 13 | CHAIR PALIN: Okay, thank you. Good. |
| 14 | MR. WORCESTER: Thank you. |
| 15 | CHAIR PALIN: Okay. Thank you, Mark, for you |
| 16 | testimony. And hearing and seeing no additional comments in |
| 17 | consideration of AOGA's written comments and your oral |
| 18 | testimony there, Mark, I would recommend that we recess for |
| 19 | approximately 10 minutes so that we can discuss this unless |
| 20 | there's objection from my fellow Commissioner. |
| 21 | COMMISSIONER SEAMOUNT: No objection. |
| 22 | CHAIR PALIN: Okay. We will recess then for |
| 23 | 10 minutes and we'll be back then. Off record. |
| 24 | (Off record 9:11 a.m.) |
| 25 | (On record 9:26 a.m.) |

METRO COURT REPORTING

| 1 | CHAIR PALIN: We're back on record then. Are |
|----|--|
| 2 | there any other questions or comments, Commissioner? Okay. |
| 3 | COMMISSIONER SEAMOUNT: I have none. |
| 4 | CHAIR PALIN: I have none either. Then after |
| 5 | reading and hearing testimony from AOGA and AOGA rep, we will |
| 6. | consider it as testimony, and we thank you very much for it. |
| 7 | It's our intention to consider this and to take this up in our |
| 8 | future public meeting which has not been scheduled yet, but |
| 9 | we're not ready then to propose a motion on this and to adopt |
| 10 | it. So we thank you very much for your testimony and for |
| 11 | taking the time to share with us this information. |
| 12 | And with that then, we can adjourn this meeting, and |
| 13 | we'll probably see you at our next public meeting when this |
| 14 | is okay. Thank you. |
| 15 | (Off record 9:27 a.m.) |
| 16 | * * * END OF PROCEEDING * * * |
| 17 | |
| 18 | |
| 19 | |
| 20 | |
| 21 | |

METRO COURT REPORTING

22

23

24

25

CERTIFICATE

2 SUPERIOR COURT)
3)ss.
STATE OF ALASKA)

1

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24 25 I, Laura C. Ferro, Notary Public in and for the State of Alaska, do hereby certify:

THAT the annexed and foregoing pages numbered 3 through 8 contain a full, true and correct transcript of the Public Hearing before the Alaska Oil and Gas Conservation Commission, taken by and transcribed by myself;

THAT the Transcript has been prepared at the request of the Alaska Oil and Gas Conservation Commission, 333 West Seventh Avenue, Anchorage, Alaska;

DATED at Anchorage, Alaska this 13th day of November, 2003.

NOTARY PUBLIC +

SIGNED AND CERTIFIED TO BY:

Jama C. Jerro

Laura C. Ferro
Notary in and for Alaska
My Commission Expires: 06/03/05

STATE OF ALASKA OIL AND GAS CONSERVATION COMMISSION

PROPOSED REGULATIONS 20 AAC 25.001 ALTERNATE COMPLIANCE AND WAIVERS November 13, 2003 at 9:00 am

| NAME – AFFILIATION | ADDRESS/PHONE NUMBER | TESTIFY (Yes or No) | | |
|------------------------------------|----------------------|---------------------|--|--|
| (PLEASE PRINT) | ACGA | | | |
| THERESA KOCKhill Mark Warrester | (PAI | No yes | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | <u> </u> | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

\Hearing Sign-In

Retined

AOGA

Alaska Oil and Gas Association 121 W. Fireweed Lane, Suite 207 Anchorage, Alaska 99503-2035 Phone: (907)272-1481 Fax: (907)279-8114

November 12, 2003

Commissioner Sarah Palin Chair Alaska Oil and Gas Conservation Commission 333 W. 7th Avenue, Suite 100 Anchorage, AK 99501

proceed with adoption of regulations on this topic.

Commissioner Dan Seamount Alaska Oil and Gas Conservation Commission 333 W. 7th Avenue, Suite 100 Anchorage, AK 99501

AOGA Comments on Proposed Regulations 20 AAC 25.001, Alternate Compliance and Waivers

Dear Commissioners:

The Alaska Oil & Gas Association (AOGA) appreciates the opportunity to provide comments to the Alaska Oil and Gas Conservation Commission ("commission") on proposed regulation changes in Title 20, Chapter 25, of the Alaska Administrative Code, dealing with variances and waivers.

As you are aware, AOGA is a private, non-profit trade association whose 18 member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska.

The public notice indicates that the AOGCC is proposing to amend the regulations to add a new 20 AAC 25.001, and make conforming changes to various other sections. AOGA believes that the proposed change is unnecessary, may have unintended adverse consequences, is not reflective of current federal practice, and is more appropriately located in another article of the regulations. We

offer some alternative language that avoids these problems, in case the commission wishes to

Discussion

AOGA does not understand the need for a change in the regulations. At present, the regulations provide an appropriate and workable balance between specific rules, performance standards, and mechanisms for approval of alternative methods of compliance, variances and waivers. We are unaware of any specific situation where the commission was precluded under the current regulations from accommodating a reasonable request to use an alternative method of compliance or to obtain a reasonable variance or waiver of a regulatory requirement.

We are concerned that the regulatory change may have unintended consequences. In particular, this regulation could be interpreted to restrict the commission's discretion to issue individualized orders or adopt pool-wide or area-wide rules that are consistent with and necessary to effectuate the purposes of AS 31.05. The standards under the proposed regulations measure alternative methods of compliance against existing regulations, not against the more general standards set

forth in the statute. Nor is the proposed rule consistent with the discretion provided in most pool rules and area-wide orders to administratively waive or amend a rule as long as the change is based on sound engineering principles and does not promote waste or jeopardize correlative rights.¹

We also urge the commission to use care before incorporating federal precedent. First, MMS does not use pool rules to create fit-for-purpose variations from its rules of general application, with the consequence that the federal rules on alternative methods of compliance, variances and waivers require adjustment to accommodate the Alaskan practice of adopting pool rules and area injection orders that vary the requirements found in the "statewide rule" on a case-by-case basis. Second, the original proposal for the proposed new regulation was based on the assumption that it reflected the "approach used successfully by MMS." However, the cited regulation, 30 CFR 250.103, is not the current regulation. 30 CFR 250.103 was repealed and replaced by 30 CFR 250.141 - .142 at the end of 1999. Most notably, the "necessity" standard for a departure under the former 30 CFR 250.103(a) is removed from the replacement regulation, 30 CFR 250.142.²

If the commission elects to adopt a new regulation on this subject, we suggest language more like the following:

20 AAC 25.521. ALTERNATE COMPLIANCE AND WAIVERS.

(a) The commission will consider the use of alternative techniques, procedures, equipment, or activities other than those prescribed in the regulations of this chapter. Generally, such other techniques, procedures, equipment, or activities should afford a degree of protection, safety, or performance equal to or better than that intended to be achieved by the regulations of this chapter. A request for the use of alternative techniques, procedures, equipment, or activities must be provided in writing and accompanied by a justification of the proposal. Written approval from the commission is required prior to use.

² The former <u>30 CFR 250.103 (b) read</u>.

The appropriate MMS official may prescribe or approve departures from the operating requirements of the regulations of this part when such departures are necessary for the proper control of a well, the facilitation of the proper development of a lease, the conservation of natural resources, or the protection of life (including fish and other aquatic life), property or the environment.

The current counterpart, 30 CFR 250.142 reads:

How do I receive approval for departures? We may approve departures to the operating requirements. You may apply for a departure by writing to the District or Regional Supervisor.

¹ We understand that the commission is inclined to delete subsection (b) from the proposed new Section 20 AAC 25.001. While we support the concept, we are concerned that there may be some ambiguity about the distinction between an "alternative technique, procedure, equipment or activity" and a "waiver " or "variance" from a requirement of the regulations. The commission should be careful to avoid adoption of a regulation that would allow a court to disallow a judgment of the commission to allow a variance or waiver that is consistent with its duties under AS 31.05 based upon the court's determination that the variance constitutes an "alternative technique, procedure, equipment or activity" that could be allowed only upon finding of "equivalence" to the statewide rule.

Authority: AS 31.05.030

after the section on pool rules.

(b) The commission may approve variances or waivers from the requirements of the regulations of this chapter when such waivers are consistent with AS 31.05 and appropriate for the proper control of a well, the facilitation of the proper development of a lease, the conservation of natural resources, or the protection of correlative rights.

(c) Approval of alternative techniques, procedures, equipment, activities, variances or waivers may be made on a pool-wide or area-wide basis in pool rules adopted under 25 AAC 25.520 and area injection orders under 20 AAC 25.460.

(Eff. / / Register)

Please note that we propose that any regulation on this subject be located in Article 6 (General Provisions") of the regulations, not Article 1 (Drilling), as its scope is not limited to drilling regulations. We suggest that it would be appropriately numbered as 20 AAC 25.521, immediately

We will be attending the November 13, 2003 AOGCC hearing regarding the proposed regulations. Should you or any of your colleagues have any questions regarding our recommendations, we will be happy to address them at that time.

Thank you again for this opportunity to express our concerns and to provide our recommendations.

Sincerely,

Chris Phillips Chairman, AOGCC Task Group

Subject: AOGA Written Comments on AOGCC Proposed Regulations 20 AAC 25.001

Date: Wed, 12 Nov 2003 10:45:10 -0900 **From:** Theresa Rockhill < rockhill@aoga.org>

To: Jody Colombie < jody colombie@admin.state.ak.us>

CC: Vaughn Vennerberg < vaughn_vennerberg@xtoenergy.com>,
Barbara Fullmer < barbara.f.fullmer@conocophillips.com>.

Chris Phillips <phillicj@bp.com>, Doug Marshall <dmarshall@sarcomgs.com>,

'Faye Sullivan' <sullifw@unocal.com>, Gary Laughlin <galaughlin@marathonoil.com>,

"Gunkel, Fritz" <GunkelFP@BP.com>, Harry Engel <engelhr@bp.com>,

Jerome Eggemeyer < Jerome.C. Eggemeyer@conocophillips.com>,

Jerry Dethlefs <Jerry.C.Dethlefs@conocophillips.com>, Ken Boyd <kenbo@gci.net>,

Kevin Tabler <tablerk@unocal.com>, "Lambe, Steven S." <SSLambe@MarathonOil.com>,

Lindsey Dingmore <Lindsey_Dingmore@xtoenergy.com>,

Mark Hanley <mark hanley@anadarko.com>,

Mark Worcester < Mark.P. Worcester @conocophillips.com>,

"Michael. R. Johnson (E-mail)" <michael.r.johnson@exxonmobil.com>,

Mike Barker <mike.barker@exxonmobil.com>, Nina Hutton <nina hutton@xtoenergy.com>,

Phil Krueger < PKrueger@unocal.com>, Rob Dragnich < rob.g.dragnich@exxonmobil.com>,

Tom Reese <reese@sarcomgs.com>,

Tommy Thompson <tommy thompson@anadarko.com>,

Tamara Sheffield <sheffield@aoga.org>, Judy Brady <brady@aoga.org>,

Marilyn Crockett <crockett@aoga.org>

Jody,

Attached is a copy of AOGA's written comments to AOGCC's proposed regulations 20 AAC 25.001, Alternate Compliance and Waivers.

Please provide a copy of these comments to the Commissioners prior to tomorrow's public hearing. An AOGA representative will be in attendance at the public hearing to present these comments.

Thanks.

Theresa

Theresa Rockhill

ALASKA OIL AND GAS ASSOCIATION

121 W. Fireweed Lane, Suite 207

Anchorage, Alaska 99503

Phone: 907-272-7424

Fax: 907-279-8114

AOGA written comments to AOGCC re variances and waivers 11.12.03.doc

email: rockhill@aoga.org

Name: AOGA writt

comments t

re variances waivers 11.

Type: WINWORD

(application/

Encoding: base64



Alaska Oil and Gas Association 121 W. Fireweed Lane, Suite 207 Anchorage, Alaska 99503-2035 Phone: (907)272-1481 Fax: (907)279-8114

November 12, 2003

Commissioner Sarah Palin Chair Alaska Oil and Gas Conservation Commission 333 W. 7th Avenue, Suite 100 Anchorage, AK 99501 Commissioner Dan Seamount Alaska Oil and Gas Conservation Commission 333 W. 7th Avenue, Suite 100 Anchorage, AK 99501

AOGA Comments on Proposed Regulations 20 AAC 25.001, Alternate Compliance and Waivers

Dear Commissioners:

The Alaska Oil & Gas Association (AOGA) appreciates the opportunity to provide comments to the Alaska Oil and Gas Conservation Commission ("commission") on proposed regulation changes in Title 20, Chapter 25, of the Alaska Administrative Code, dealing with variances and waivers.

As you are aware, AOGA is a private, non-profit trade association whose 18 member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska.

The public notice indicates that the AOGCC is proposing to amend the regulations to add a new 20 AAC 25.001, and make conforming changes to various other sections. AOGA believes that the proposed change is unnecessary, may have unintended adverse consequences, is not reflective of current federal practice, and is more appropriately located in another article of the regulations. We offer some alternative language that avoids these problems, in case the commission wishes to proceed with adoption of regulations on this topic.

Discussion

AOGA does not understand the need for a change in the regulations. At present, the regulations provide an appropriate and workable balance between specific rules, performance standards, and mechanisms for approval of alternative methods of compliance, variances and waivers. We are unaware of any specific situation where the commission was precluded under the current regulations from accommodating a reasonable request to use an alternative method of compliance or to obtain a reasonable variance or waiver of a regulatory requirement.

We are concerned that the regulatory change may have unintended consequences. In particular, this regulation could be interpreted to restrict the commission's discretion to issue individualized orders or adopt pool-wide or area-wide rules that are consistent with and necessary to effectuate the purposes of AS 31.05. The standards under the proposed regulations measure alternative methods of compliance against existing regulations, not against the more general standards set

forth in the statute. Nor is the proposed rule consistent with the discretion provided in most pool rules and area-wide orders to administratively waive or amend a rule as long as the change is based on sound engineering principles and does not promote waste or jeopardize correlative rights.¹

We also urge the commission to use care before incorporating federal precedent. First, MMS does not use pool rules to create fit-for-purpose variations from its rules of general application, with the consequence that the federal rules on alternative methods of compliance, variances and waivers require adjustment to accommodate the Alaskan practice of adopting pool rules and area injection orders that vary the requirements found in the "statewide rule" on a case-by-case basis. Second, the original proposal for the proposed new regulation was based on the assumption that it reflected the "approach used successfully by MMS." However, the cited regulation, 30 CFR 250.103, is not the current regulation. 30 CFR 250.103 was repealed and replaced by 30 CFR 250.241 - .242 at the end of 1999. Most notably, the "necessity" standard for a departure under the former 30 CFR 250.103(a) is removed from the replacement regulation, 30 CFR 250.242.²

If the commission elects to adopt a new regulation on this subject, we suggest language more like the following:

20 AAC 25.521. ALTERNATE COMPLIANCE AND WAIVERS.

(a) The commission will consider the use of alternative techniques, procedures, equipment, or activities other than those prescribed in the regulations of this chapter. Generally, such other techniques, procedures, equipment, or activities should afford a degree of protection, safety, or performance equal to or better than that intended to be achieved by the regulations of this chapter. A request for the use of alternative techniques, procedures, equipment, or activities must be provided in writing and accompanied by a justification of the proposal. Written approval from the commission is required prior to use.

² The former <u>30 CFR 250.103 (b) read</u>.

The appropriate MMS official may prescribe or approve departures from the operating requirements of the regulations of this part when such departures are necessary for the proper control of a well, the facilitation of the proper development of a lease, the conservation of natural resources, or the protection of life (including fish and other aquatic life), property or the environment.

The current counterpart, 30 CFR 250.242 reads:

How do I receive approval for departures? We may approve departures to the operating requirements. You may apply for a departure by writing to the District or Regional Supervisor.

¹ We understand that the commission is inclined to delete subsection (b) from the proposed new Section 20 AAC 25.001. While we support the concept, we are concerned that there may be some ambiguity about the distinction between an "alternative technique, procedure, equipment or activity" and a "waiver " or "variance" from a requirement of the regulations. The commission should be careful to avoid adoption of a regulation that would allow a court to disallow a judgment of the commission to allow a variance or waiver that is consistent with its duties under AS 31.05 based upon the court's determination that the variance constitutes an "alternative technique, procedure, equipment or activity" that could be allowed only upon finding of "equivalence" to the statewide rule.

November 12, 2003 Page 3

Authority: AS 31.05.030

after the section on pool rules.

(b) The commission may approve variances or waivers from the requirements of the regulations of this chapter when such waivers are consistent with AS 31.05 and appropriate for the proper control of a well, the facilitation of the proper development of a lease, the conservation of natural resources, or the protection of correlative rights.

| | AAC 25.520 and | made on a p area iniectior | e techniques, pool-wide or a n orders under | area-wide ha | ncie in nool | activities, v rules adopte | /ariances o ed under 2 |) 25 |
|-----|----------------|-------------------------------|---|--------------|--------------|-------------------------------|---------------------------|---------|
| (⊏π | //, Registe | er) | | | | | | |

Please note that we propose that any regulation on this subject be located in Article 6 (General Provisions") of the regulations, not Article 1 (Drilling), as its scope is not limited to drilling regulations. We suggest that it would be appropriately numbered as 20 AAC 25.521, immediately

We will be attending the November 13, 2003 AOGCC hearing regarding the proposed regulations. Should you or any of your colleagues have any questions regarding our recommendations, we will be happy to address them at that time.

Thank you again for this opportunity to express our concerns and to provide our recommendations.

Sincerely.

Chris Phillips Chairman. AOGCC Task Group



Subject: Alternate Compliance and Waivers

Date: Mon, 03 Nov 2003 10:22:08 -0900 **From:** jody_colombie@admin.state.ak.us

Organization: Alaska Oil and Gas Conservation Commission

To: rockhill@aoga.org>

Teresa, please find attached revision 1 to be "Waivers and Variance" Proposed Regulation.

Jody

1 20 AAC 25 .doc

Name: 1 20 AAC 25 .doc

Type: WINWORD File (application/msword)

Encoding: base64

MEMORANDUM

State of Alaska

Department of Law

To: Sarah Palin, Chair

Alaska Oil and Gas Conservation

Commission

Date:

October 13, 2003

File No .: 993-04-0085

Tel. No.: 465-3600

Debru & Sch Deborah E. Behr

Assistant Attorney General and Regulations Attorney

Legislation and Regulations Section

Regulations File Opening Re: AOGCC: Variances; Waivers; Certification of Production

Volumes

(20 AAC 25)

We have received the commission's memorandum of October 3, 2003 regarding this project, along with a copy of the proposed regulations. The project has been assigned to Assistant Attorney General Rob Mintz, phone number 269-5100.

Our department's file number for this project is 993-04-0085. This file number should be used on any further correspondence pertaining to this project.

DEB:pvp

Kevin Jardell, Regulations Contact cc: Dept. of Administration

Dept. of Administration

Jody Colombie Alaska Oil & Gas Conservation Commission

Robert Pearson, AAC Coordinator Lt. Governor's Office

Wilson Condon, Supervising Attorney Oil, Gas & Mining Section

Rob Mintz Assistant Attorney General Anchorage

MEMORANDUM

STATE OF ALASKA

October 3, 2003

ALASKA OIL AND GAS CONSERVATION COMMISSION

TO:

Deborah E. Behr Assistant Attorney General

And Regulations Attorney

Legislation and Regulations Section

SUBJECT:

DATE:

File-opening request for

new regulations project on variances and waivers and on certification of production volumes under

sec. 1, ch. 59, SLA 2003

FROM:

Sarah Palin Chair

We are requesting that you open a new file for a regulations project regarding changes in Title 20, Chapter 25, of the Alaska Administrative Code, dealing with variances and waivers and with certification of production volumes under sec. 1, ch. 59, SLA 2003.

Enclosed is a copy of the public notice, Additional Regulations Notice Information, and a draft of the regulation.

Please assign assistant attorney general Robert Mintz to this project. Our contact person for the project is Jody Colombie at 793-1221.

SP/jjc

STATE OF ALASKA NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE ALASKA OIL AND GAS CONSERVATION COMMISSION

The Alaska Oil and Gas Conservation Commission ("AOGCC") proposes to adopt regulation changes in Title 20, Chapter 25, of the Alaska Administrative Code, dealing with variances and waivers and with Commission certification of certain production volumes, including the following:

a general variance and waiver provision would replace specific provisions in numerous sections of the AOGCC's current regulations; and

provisions would be established to implement the AOGCC's authority under sec. 1, ch. 59, SLA 2003 to certify certain production volumes.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by writing to AOGCC, 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The comments must be received no later than 4:30 p.m. on November 18, 2003.

Additionally, oral or written comments may be submitted at a hearing to be held on November 13, 2003, at 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The hearing will begin at 9:00 a.m. and might be extended from day to day if necessary to accommodate those present before 9:30 a.m. who did not have an opportunity to comment.

If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format in order to participate in the process on the proposed regulation, please contact Jody Colombie at 793-1221 by 4:00 p.m., November 7, 2003 to ensure that any necessary accommodations can be provided.

Copies of the proposed regulation changes may be obtained from the AOGCC office, 333 W. 7th Avenue, Anchorage, Alaska 99501, or by telephoning the AOGCC at 907-793-1221, or on the AOGCC website at:

http://www.aogcc.alaska.gov.

After the public comment period ends, the AOGCC will either adopt this or another proposal dealing with the same subject, without further notice, or decide to take no action on it. The language of the final regulations may be different from that of the proposed regulations. YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTEREST COULD BE AFFECTED. Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 31.05.030; AS 31.05.040...

Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

Statutes Being Implemented, Interpreted, or Made Specific: AS 31.05.030.

Date: October 3, 2003

Sarah Palin

Chair, Alaska Oil and Gas Conservation Commission

Published: 10/3/03 AO: 02414009

ADDITIONAL REGULATIONS NOTICE INFORMATION (AS 44.62.190(d))

- 1. Adopting agency: Alaska Oil and Gas Conservation Commission.
- 2. General subject of regulations: variances and waivers, and certification of production volumes under sec. 1, ch. 59, SLA 2003
- 3. Citation of regulations: 20 AAC 25.
- 4. Reason for the proposed action: to provide for uniform treatment of variances and waivers in regulations, and to implement new legislation
- 5. Program category and BRU affected: Alaska Oil and Gas Conservation Commission.
- 7. The name of the contact person for the regulations Jody Colombie, Alaska Oil and Gas Conservation Commission, 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501, (907) 793-1221.
- 8. The origin of the proposed action: state agency.

Cost of implementation to the state agency: zero.

- 9. Date: October 3, 2003
- 10. Prepared by:

 Jody Golombie
 Special Staff Assistant
 Alaska Oil and Gas Conservation Commission
 (907) 793-1221

| ADVERTISING ORDER SEE SOUTHOUS PROJECT ADDRESS ADDRES | | STATE OF | | i Vanada (| | E TO PUBL | | | ADVE | RTISING ORDER NO. |
|--|-------|---------------|-------------|---------------------------|---------------------|--------------------|---------------|--------------------------------|---------------------------------------|---------------------------------------|
| ACRICY CONTACT ACRECY CONTACT BATE OF A.O. ACRECY CONTACT ACRECY CONTACT BATE OF A.O. ACRECY CONTACT ACRECY CONTA | | | | AFF!DAVI | T OF PUBLICATION (| PART 2 OF THIS FO | RM) WITH ATTA | NO., CERTIFIED CHED COPY OF | A0-0 | 2414009 |
| 333 W 7th Ave, Ste 100 Anchorage, AK 99501 - | SEI | | | f | DEMIENT MOST BE SUI | DMITTED WITH INVOI | CE | | | |
| Jody Colombie October 2, 2003 PFON PROBE PROBE Anchorage, AK 99501 Anchorage Daily News PO Box 149001 Anchorage, AK 99514 THE MATERIAL BETWEEN THE BOURLE LINES MUST BE PRINTED IN INSTRUCTIONS: Advertisement to be published was e-mailed DE of Advertisement X Legal Display Classified Other (Specify) SEE ATTACHED ND INVOICE IN TRIPLECATE ACCCC, 333 W. 7th Ave., Suite 100 Anchorage, AK 99501 TYPE NUMBER ACCUT, 333 W. 7th Ave., Suite 100 Anchorage, AK 99501 ANCHORAGE, AK 99501 DATE COMMERTS AMOUNT DATE COMMERTS DIVISION APPROVAL DI | FΔ | AOGCC | | | | | AGENCY O | CONTACT | L., | DATE OF A.O. |
| Anchorage, AK 99501 Anchorage Daily News P O Box 149001 Anchorage, AK 99514 THE MATERIAL BETWEN THE BOUBLE LINES MUST BE PRINTED IN KYNERY ON THE DATES MOWN. SPECIAL INSTRUCTIONS. Advertisement to be published was e-mailed DE OF Advertisement X Legal Display Classified Other (Specify) SEE ATTACHED DISPLAY SEE ATTACHED DISPLAY SEE ATTACHED DISPLAY Anchorage, AK 99501 TOTAL OF 2-PAGES OF OF 2- | . 1 | | ze Ste | 100 | | | | | | |
| Anchorage Daily News P O Box 149001 Anchorage, AK 99514 THE MATERIAL RETWRENT THE BOURLE LINES MIST BE PRINTED IN STREET OF THE DATES SHOWN. SPECIAL INSTRUCTIONS. Advertisement to be published was e-mailed Do of Advertisement X Legal Display Classified Other (Specify) SEE ATTACHED Display Classified Other (Specify) SEE ATTACHED Display Classified ALL PAGESS SEE ATTACHED DISPLAY COMMERTS AND DISPLAY DATE COMMERTS AND DATE AND DATE COMMERTS DIVISION APPROVAL DIVISION A | - 1 | | - | | | | PHONE | OHOIC | | |
| Anchorage Daily News P O Box 149001 Anchorage, AK 99514 Anchorage, AK 99514 THE MATERIAL RETWEN THE BOUBLE LINES MUST BE PRINTED IN INTRIBETY OF THE DATES SHOWN. SPECIAL INSTRUCTIONS: Advertisement to be published was e-mailed Display Classified Other (Specify) SEE ATTACHED SEE ATTACHED SEE ATTACHED DINNOICE IN TRIPLICATE ANGCC, 333 W. 7th Ave., Suite 100 Anchorage, AK 99501 TO NUMBER AMOUNT DATE AMOUNT DATE AMOUNT SY CC PGM LC ACCT FY NIME AMOUNT SY CC PGM LC ACCT FY NIME AMOUNT SY CC PGM LC ACCT FY NIME DIVISION APPROVAL | 1 | _ | | | | | (007) 70 | 3 1221 | | |
| P O Box 149001 Anchorage, AK 99514 THE MATERIAL BETWEEN THE BOUBLE LINES MUST BE PRINTED IN INTERPLICATE ACCT. STATE ACCT. STATE COMMENTS SEE ATTACHED SEE ATTACHED THE MATERIAL BETWEEN THE BOUBLE LINES MUST BE PRINTED IN INTERPLICATE ACCT. STATE COMMENTS SEE ATTACHED THE MATERIAL BETWEEN THE BOUBLE LINES MUST BE PRINTED IN INTERPLICATE ACCT. STATE ACCT. STAT | | | | | | | DATES ADV | ERTISEMENT R | EQUIRED: | |
| Anchorage, AK 99514 THE MATERIAL RETWEEN THE DOUBLE LINES MUST BE PRINTED IN STREET ON THE DATES SHOWN. SPECIAL INSTRUCTIONS: Advertisement to be published was e-mailed | | | | ews | | | October | 3, 2003 | | |
| Advertisement to be published was e-mailed SEE ATTACHED SEE ATTACHED SEE ATTACHED SEE ATTACHED SEE ATTACHED Other (Specify) SEE ATTACHED Other (Specify) SEE ATTACHED TOTAL OF PROCESS AND Anchorage, AK 99501 TYPE NUMBER AMOUNT DATE COMMENTS ARO 02910 AMOUNT SY CC PGM LC ACCT FY NMR OF TOTAL OF TO | - 1 | | | 514 | | | | | | INES MUST BE PRINTED IN |
| SEE ATTACHED SEE ATTACHED SEE ATTACHED SEE ATTACHED SEE ATTACHED DINVOICE IN TRIPLICATE AOGCC, 333 W. 7th Ave., Suite 100 TO Anchorage, AK 99501 TYPE NUMBER AMOUNT DATE ARD 02910 AMOUNT SY CC PGM LC ACCT FY NMR DET U0 AMOUNT SY CC PGM LC ACCT FY NMR DET U0 OH 02140100 OIVISION APPERVALU DIVISION APPERVALU DIVI | | 2 / | | | | | | | OWN. | |
| SEE ATTACHED ND INVOICE IN TRIPLICATE AOGCC, 333 W. 7th Ave., Suite 100 TO: Anchorage, AK 99501 ARD 02910 AMOUNT DATE AMOUNT SY CC PGM LC ACCT FY NMR 04 02140100 DIVISIONAPPERVALUA DIVISIONAPPERVA | | | | | | | Advertis | ement to be | publishe | ed was e-mailed |
| ND INVOICE IN TRIPLICATE AOGCC, 333 W. 7th Ave., Suite 100 PAGE 1 OF ACHARDACT ADAPT ADAPT ADAPT ADAPT AMOUNT DATE COMMENTS | уре | of Advertis | emen | nt X Legal | ☐ Displa | ay 🗌 Cla | assified | Othe | r (Specif | fy) |
| NO INVOICE IN TRIPLICATE AOGCC, 333 W. 7th Ave., Suite 100 PAGE 1 OF ACACOT PAGE 1 OF ALL PAGES\$ | | | | | | | | | | |
| NO INVOICE IN TRIPLICATE AOGCC, 333 W. 7th Ave., Suite 100 PAGE 1 OF ACACOT PAGE 1 OF ALL PAGES\$ | | | | | ~ | | | | | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | | | | | SEI | E ATTACHE | ZD | | | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | | | | | | | | | | |
| TYPE | | | | | | | | | | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | | | | | | | | | | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | | | | | | | | | | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | | | | | | | | | | |
| TYPE | | | | | | | | | | |
| TYPE | | | | | | | | | | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | | | | | | | | | • | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | | | | | | | | | | |
| Anchorage, AK 99501 2 PAGES ALL PAGES\$ | - 115 | NINVOICE IN : | FDIDL | 01-1 1 0 0 0 0 0 0 | 0 H1 51 1 0 | | | | | TOTAL OF |
| TYPE | :NL | TO | IKIPLI | | | iite 100 | | | PAGE 1 OF | |
| ARD 02910 AMOUNT SY CC PGM LC ACCT FY NMR 04 02140100 73540 DIVISION APPROVAL DIVISION APPROVAL | • Т | | NUMBE | | | TE | | СОМ | | L |
| AMOUNT SY CC PGM LC ACCT FY NMR DIST LIQ | _ _ | | | | | | | | | |
| 04 02140100 73540 DIST LIQ | - 1 | ARD | 02910 |) | | | | | | |
| 04 02140100 73540 DIST LIQ | + | | | | | | | | | · · · · · · · · · · · · · · · · · · · |
| 04 02140100 73540 DIST LIQ | N | AMOUNT | SY | | PCM | 10 | 1 40 | T EV | NMR | |
| UISITIONED BY: DIVISION APPROVAL A A A A A A A A A A A A | + | | | | r GW | LU | | | | 1 |
| J'Colonul Jahr | + | | 04 | 02140100 | | | 735 | 40 | | 4 |
| J. Colonul Jahr | + | | ++ | | | | | | | - |
| J. Colonul Jahr | | | † † | | · | | | | | 1 |
| D2 (Rev. 3/94) Publisher/Original Copies: Department Fiscal, Department. Receiving AO. | | SITIONED BY: | 7 | Colonida | ~ | | DIVISION | APPROVAL! | h | _ |
|)2 (Rev. 3/94) Publisher/Original Copies: Department Fiscal, Department, Receiving AO. | | | () | | | | | 11 | | |
|)2 (Rev. 3/94) Publisher/Original Copies: Department Fiscal, Department. Receiving AO. | | | | | | | - | | | |
|)2 (Rev. 3/94) Publisher/Original Copies: Department Fiscal, Department, Receiving AO. | | | | | | | | | · · · · · · · · · · · · · · · · · · · | |
| | 902 | (Rev. 3/94) | | Publisher/Or | riginal Copies: | Department Fis | scal, Departn | nent, Receivin | g | AO. |

GRAND

Anchorage Daily News Affidavit of Publication

PRICE

1001 Northway Drive, Anchorage, AK 99508

OTHER

| <u>AD#</u> | DATE | <u>PO</u> | <u>ACCOUNT</u> | PER DAY | CHARGES | CHARGES #2 | CHARGES #3 | CHARGES #4 | CHARGES #5 | TOTAL |
|------------|------------|-----------|----------------|-----------------------------|---------|------------|------------|------------|------------|----------|
| 964431 | 10/03/2003 | 02414009 | STOF0330 | \$236.88 \$236.88 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$236.88 |

OTHER

OTHER

STATE OF ALASKA THIRD JUDICIAL DISTRICT

Teresita Peralta, being first duly sworn on oath deposes and says that she is an advertising representative of the Anchorage Daily News, a daily newspaper.

That said newspaper has been approved by the Third Judicial Court, Anchorage, Alaska, and it now and has been published in the English language continually as a daily newspaper in Anchorage, Alaska, and it is now and during all said time was printed in an office maintained at the aforesaid place of publication of said newspaper. That the annexed is a copy of an advertisement as it was published in regular issues (and not in supplemental form) of said newspaper on the above dates and that such newspaper was regularly distributed to its subscribers during all of said period. That the full amount of the fee charged for the foregoing publication is not in excess of the rate charged private individuals.

Subscribed and sworn to me before this date:

Notary Public in and for the State of Alaska. Third Division. Anchorage, Alaska

MY COMMISSION EXPIRES:

STATE OF ALASKA NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE ALASKA OIL AND GAS CONSERVATION COMMISSION

OTHER

OTHER

The Alaska Oil and Gas Conservation Commission ("AOGCC") propeses to adopt regulation changes in Title 20, Chapter 25, of the Alaska Administrative Code, dealing with variances and waivers and with Commission certification of certain production volumes, including the following:

a general variance and waiver provision would replace specific provisions in numerous sections of the AOGCC's current regulations; and

provisions would be established to implement the AOGCC's authority under sec. 1, ch. 59, SLA 2003 to certify certain production volumes.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by writing to AOGCC, 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The comments must be received no later than 4:30 p.m. on November 18, 2003.

Additionally, oral or written comments may be submitted at a hearing to be held on November 13, 2003, at 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The hearing will begin at 9:00 a.m. and might be extended from day to day if necessary to accommodate those present before 9:30 a.m. who did not have an opportunity to comment.

If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format in order to participate in the process on the proposed regulation, please contact Jody Colombie at 793-1221 by 4:00 p.m., November 7, 2003 to ensure that any necessary accommodations can be provided.

Copies of the proposed regulation changes may be obtained from the AOGCC office, 333 W. 7th Avenue, Anchorage, Alaska 99501, or by telephoning the AOGCC at 907-793-1221, or on the AOGCC website at:

http://www.aogcc.alaska.gov.

After the public comment period ends, the ADGCC will either adopt this or another proposal dealing with the same subject, without further notice, or decide to take no action on it. The language of the final regulations may be different from that of the proposed regulations. YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTEREST COULD BE AFFECTED. Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 31.05.030; AS 31.05.040. Statutes Being implemented, Interpreted, or Made Specific: AS 31.05.030. Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

Sarah Palin Chair, Alaska Oil and Gas Conservation Commission

Publish: October 3, 2003

STATE OF ALASKA ADVERTISING ORDER NO. NOTICE TO PUBLISHER CE MUST BE IN TRIPLICATE SHOWING ADVERTISING ORDS **ADVERTISING** AO-02414009 AFFIDAVIT OF PUBLICATION (PART 2 OF THIS FORM) WITH ATTACHED COPY OF ORDER ADVERTISEMENT MUST BE SUBMITTED WITH INVOICE SEE BOTTOM FOR INVOICE ADDRESS AGENCY CONTACT DATE OF A.O. **AOGCC** 333 West 7th Avenue, Suite 100 October 2, 2003 Jody Colombie 0 Anchorage, AK 99501 M 907-793-1221 (907) 793 -1221 DATES ADVERTISEMENT REQUIRED: Anchorage Daily News October 3, 2003 P O Box 149001 THE MATERIAL BETWEEN THE DOUBLE LINES MUST BE PRINTED IN ITS Anchorage, AK 99514 ENTIRETY ON THE DATES SHOWN. SPECIAL INSTRUCTIONS: AFFIDAVIT OF PUBLICATION United states of America REMINDER State of _____ INVOICE MUST BE IN TRIPLICATE AND MUST REFERENCE THE ADVERTISING ORDER NUMBER. division. A CERTIFIED COPY OF THIS AFFIDAVIT OF PUBLICATION MUST BE SUBMITTED WITH THE INVOICE. Before me, the undersigned, a notary public this day personally appeared ATTACH PROOF OF PUBLICATION HERE. _____ who, being first duly sworn, according to law, says that he/she is the _____ of ____ Published at _____ in said division ____ and state of _____ and that the advertisement, of which the annexed is a true copy, was published in said publication on the _____ day of 2003, and thereafter for ____ consecutive days, the last publication appearing on the _____ day of _____, 2003, and that the rate charged thereon is not in excess of the rate charged private individuals. Subscribed and sworn to before me This ____ day of _____ 2003, Notary public for state of _____ My commission expires

| SD Dept of Env & Natural Resources Oil and Gas Program 2050 West Main, Ste 1 Rapid City, SD 57702 |
|--|
| David McCaleb IHS Energy Group GEPS 5333 Westheimer, Ste 100 Houston, TX 77056 |
| Robert Gravely 7681 South Kit Carson Drive Littleton, CO 80122 |
| Richard Neahring NRG Associates President PO Box 1655 Colorado Springs, CO 80901 |
| Samuel Van Vactor Economic Insight Inc. 3004 SW First Ave. Portland, OR 97201 |
| Mark Wedman Halliburton 6900 Arctic Blvd. Anchorage, AK 99502 |
| Baker Oil Tools 4730 Business Park Blvd., #44 Anchorage, AK 99503 |

David Cusato

600 West 76th Ave., #508

Anchorage, AK 99518

Kenai Peninsula Borough

Kenai, AK 99611-7000

Refuge Manager

PO Box 2139

Economic Development Distr

14896 Kenai Spur Hwy #103A

Kenai National Wildlife Refuge

Soldotna, AK 99669-2139

| Citgo Petroleum Corporation PO Box 3758 Tulsa, OK 74136 |
|---|
| W. Allen Huckabay ConocoPhillips Petroleum Comp Offshore West Africa Exploration 323 Knipp Forest Street Houston, TX 77079-1175 |

any

Supply & Distribution San Antonio, TX 78216 Golden, CO 80401-2433

Jerry Hodgden Hodgden Oil Company 408 18th Street Kay Munger PO Box 45738

Los Angeles, CA 90045-0738 Anchorage, AK 99501-1980

Michael Parks Schlumberger

Jack Hakkila

Penny Vadla

Box 467

PO Box 190083

Anchorage, AK 99519

Ninilchik, AK 99639

Richard Wagner

Fairbanks, AK 99706

PO Box 60868

Anchorage, AK 99508-4336

Marple's Business Newsletter 117 West Mercer St, Ste 200 Seattle, WA 98119-3960 **Drilling and Measurements** 3940 Arctic Blvd., Ste 300

US Geological Survey 4200 University Dr. Anchorage, AK 99508

Gordon Severson 3201 Westmar Cr. Kevin Tabler Unocal PO Box 196247

Anchorage, AK 99503 Jill Schneider

John Levorsen 200 North 3rd Street, #1202 Boise, ID 83702

0 32 George Vaught, Jr. PO Box 13557 Denver, CO 80201-3557

Р T W C

XTO Energy, Inc. Cartography Kelly Valadez

Mary Jones 810 Houston Street, Ste 2000 Ft. Worth, TX 76102-6298 Tesoro Refining and Marketing Co. 300 Concord Plaza Drive

Munger Oil Information Service, Inc. Trustees for Alaska

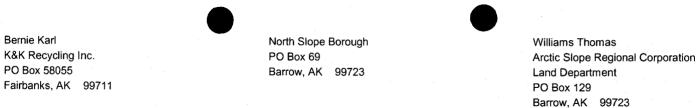
1026 West 4th Ave., Ste 201 Ciri Land Department PO Box 93330 Anchorage, AK 99503

Anchorage, AK 99519-6247 James Gibbs PO Box 1597 Soldotna, AK 99669

Cliff Burglin

PO Box 131

Fairbanks, AK 99707



Subject: Public Notice

Date: Fri, 03 Oct 2003 12:01:46 -0800

From: Jody Colombie < jody colombie@admin.state.ak.us>

Organization: Alaska Oil and Gas Conservation Commission

To: Con Bunde < senator con bunde@legis.state.ak.us>. John Cowdery < senator john cowdery@legis.state.ak.us>, Bettye J Davis <senator bettye davis@legis.state.ak.us>, Johnny Ellis JR <senator johnny ellis@legis.state.ak.us>, Kim S Elton <senator kim elton@legis.state.ak.us>, Hollis French < senator hollis french@legis.state.ak.us>, Lyda N Green < senator lyda green@legis.state.ak.us>, Gretchen G Guess < senator gretchen guess@legis.state.ak.us>, Lyman F Hoffman <senator lyman hoffman@legis.state.ak.us>, Georgianna Lincoln <senator georgianna lincoln@legis.state.ak.us>, Scott Ogan <senator scott ogan@legis.state.ak.us>, senator ben stevens <senator ben stevens@legis.state.ak.us>, senator gary stevens < senator gary stevens@legis.state.ak.us>, senator robin taylor < senator robin taylor@legis.state.ak.us>, senator gene therriault < senator gene therriault@legis.state.ak.us>, senator thomas waggoner < senator thomas waggoner@legis.state.ak.us>, senator gary wilken <senator gary wilken@legis.state.ak.us>, representative mike chenault representative mike chenault@legis.state.ak.us>, representative sharon cissna < representative sharon cissna@legis.state.ak.us>, representative john coghill < representative john coghill@legis.state.ak.us>, representative harry crawford < representative harry crawford@legis.state.ak.us>, representative eric croft < representative eric croft@legis.state.ak.us>, representative nancy dahlstrom < representative nancy dahlstrom@legis.state.ak.us>, representative fate hugh < representative fate hugh@legis.state.ak.us>, representative richard foster < representative richard foster@legis.state.ak.us>, representative les gara < representative les gara@legis.state.ak.us>, representative carl gatto < representative carl gatto@legis.state.ak.us>, representative max gruenberg < representative max gruenberg@legis.state.ak.us >, representative_david_guttenberg <representative_david_guttenberg@legis.state.ak.us>, representative john harris < representative john harris@legis.state.ak.us>, representative mike hawker < representative mike hawker@legis.state.ak.us>, representative cheryll heinze < representative cheryll heinze@legis.state.ak.us>, representative jim holm < representative jim holm@legis.state.ak.us>, representative reggie joule < representative reggie joule@legis.state.ak.us>, representative mary kapsner < representative mary kapsner@legis.state.ak.us>, representative beth kerttula < representative beth kerttula@legis.state.ak.us>. representative vic kohring < representative vic kohring@legis.state.ak.us>, representative albert kookesh < representative albert kookesh@legis.state.ak.us >, representative pete kott < representative pete kott@legis.state.ak.us>, representative_bob lynn <representative bob lynn@legis.state.ak.us>, representative beverly masek < representative beverly masek@legis.state.ak.us>, representative lesil mcguire < representative lesil mcguire@legis.state.ak.us>, representative kevin meyer < representative kevin meyer@legis.state.ak.us>, representative carl morgan < representative carl morgan@legis.state.ak.us>, representative carl moses < representative carl moses@legis.state.ak.us>, representative dan ogg <representative dan ogg@legis.state.ak.us>,

representative_norman_rokeberg <representative_norman_rokeberg@legis.state.ak.us>, representative_paul_seaton <representative_paul_seaton@legis.state.ak.us>, representative_bill_stoltze <representative_bill_stoltze@legis.state.ak.us>, representative_bill_stoltze@legis.state.ak.us>, representative_bruce_weyhrauch <representative_bruce_weyhrauch@legis.state.ak.us>, representative_jim_whitaker <representative_jim_whitaker@legis.state.ak.us>, representative_bill_williams <representative_bill_williams@legis.state.ak.us>, representative_peggy_wilson <representative_peggy_wilson@legis.state.ak.us>, representative_peggy_wilson@legis.state.ak.us>, representative_kelly_wolf@legis.state.ak.us>, ponny Olson <senator_donny_olson@legis.state.ak.us>, Ralph Seekins <senator_ralph_seekins@legis.state.ak.us>, Tom Anderson <representative_tom_anderson@legis.state.ak.us>, Ethan Berkowitz <representative_ethan_berkowitz@legis.state.ak.us>, Michael W Miller <michael_miller@admin.state.ak.us>

STATE OF ALASKA NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE ALASKA OIL AND GAS CONSERVATION COMMISSION

The Alaska Oil and Gas Conservation Commission (¡§AOGCC;") proposes to adopt regulation changes in Title 20, Chapter 25, of the Alaska Administrative Code, dealing with variances and waivers and with Commission certification of certain production volumes, alternate regulatory compliance, including the following:

a general variance and waiver provision would replace specific provisions in numerous sections of the AOGCC; s current regulations 20 AAC 25.001 is proposed to allow use of alternative techniques, procedures, equipment, or activities other than those prescribed by current regulations; and

provisions would be established to implement the AOGCC; s authority under sec. 1, ch. 59, SLA 2003 20 AAC 25.233 is proposed to allow the Commission to certify certification of certain production volumes.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by writing to AOGCC, 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The comments must be received no later than 4:30 p.m. on November 18, 2003.

Additionally, oral or written comments may be submitted at a hearing to be held on November 13, 2003, at 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The hearing will begin at 9:00 a.m. and might be extended from day to day if necessary to accommodate those present before 9:30 a.m. who did not have an opportunity to comment.

If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format in order to participate in the process on the proposed regulation, please contact Jody Colombie at 793-1221 by 4:00 p.m., November 7, 2003 to ensure that any necessary accommodations can be provided.

Copies of the proposed regulation changes may be obtained from the AOGCC office, 333 W. 7th Avenue, Anchorage, Alaska 99501, or by telephoning the AOGCC at 907-793-1221, or on the AOGCC website at:

http://www.aogcc.alaska.gov.

After the public comment period ends, the AOGCC will either adopt this or another proposal dealing with the same subject, without further notice, or decide to take no action on it. The language of the final regulations may be different from that of the proposed regulations. YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTEREST COULD BE AFFECTED. Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 31.05.030; AS 31.05.040.. Statutes Being Implemented, Interpreted, or Made Specific: AS 31.05.030.

Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

Date: October 3, 2003
Sarah Palin
Chair, Alaska Oil and Gas Conservation Commission

Published: 10/3/03

AO: 02414009

ADDITIONAL REGULATIONS NOTICE INFORMATION (AS 44.62.190(d))

- 1. Adopting agency: Alaska Oil and Gas Conservation Commission.
- 2. General subject of regulations: variances and waivers, and on certification of production volumes under sec. 1, ch. 59, SLA 2003AS 31.05.030(j)
- 3. Citation of regulations: 20 AAC 25.
- 4. Reason for the proposed action: to provide for uniform treatment of variances and waivers in regulations, and to implement new legislation allow use of alternative techniques, procedures, equipment, or activities other than those prescribed by current regulations.
- 5. Program category and BRU affected: Alaska Oil and Gas Conservation Commission.
- 6. Cost of implementation to the state agency: zero.
- 7. The name of the contact person for the regulations Jody Colombie, Alaska Oil and Gas Conservation Commission, 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501, (907) 793-1221.
- 8. The origin of the proposed action: state agency.
- 9. Date: October 3, 2003
- 10. Prepared by:
 Jody Colombie
 Special Staff Assistant
 Alaska Oil and Gas Conservation Commission
 (907) 793-1221

Subject: Public Notice

Date: Fri, 03 Oct 2003 16:46:04 -0800

From: Jody Colombie < jody colombie@admin.state.ak.us>

Organization: Alaska Oil and Gas Conservation Commission

To: representative_hugh_fate <representative_hugh_fate@legis.state.ak.us>, senator_thomas_wagoner <senator_thomas_wagoner@legis.state.ak.us>

STATE OF ALASKA NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE ALASKA OIL AND GAS CONSERVATION COMMISSION

The Alaska Oil and Gas Conservation Commission (¡SAOGCC¡") proposes to adopt regulation changes in Title 20, Chapter 25, of the Alaska Administrative Code, dealing with variances and waivers and with Commission certification of certain production volumes, alternate regulatory compliance, including the following:

a general variance and waiver provision would replace specific provisions in numerous sections of the AOGCC; s current regulations20 AAC 25.001 is proposed to allow use of alternative techniques, procedures, equipment, or activities other than those prescribed by current regulations; and

provisions would be established to implement the AOGCC; s authority under sec. 1, ch. 59, SLA 2003 20 AAC 25.233 is proposed to allow the Commission to certify certification of certain production volumes.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by writing to AOGCC, 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The comments must be received no later than 4:30 p.m. on November 18, 2003.

Additionally, oral or written comments may be submitted at a hearing to be held on November 13, 2003, at 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501. The hearing will begin at 9:00 a.m. and might be extended from day to day if necessary to accommodate those present before 9:30 a.m. who did not have an opportunity to comment.

If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format in order to participate in the process on the proposed regulation, please contact Jody Colombie at 793-1221 by 4:00 p.m., November 7, 2003 to ensure that any necessary accommodations can be provided.

Copies of the proposed regulation changes may be obtained from the AOGCC office, 333 W. 7th Avenue, Anchorage, Alaska 99501, or by telephoning the AOGCC at 907-793-1221, or on the AOGCC website at:

http://www.aogcc.alaska.gov.

After the public comment period ends, the AOGCC will either adopt this or another proposal dealing with the same subject, without further notice, or decide to take no action on it. The language of the final regulations may be different from that of the proposed regulations. YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTEREST COULD BE AFFECTED. Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 31.05.030; AS 31.05.040...

Statutes Being Implemented, Interpreted, or Made Specific: AS 31.05.030.

Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

Date: October 3, 2003

Sarah Palin

Chair, Alaska Oil and Gas Conservation Commission

Published: 10/3/03

AO: 02414009

ADDITIONAL REGULATIONS NOTICE INFORMATION (AS 44.62.190(d))

- 1. Adopting agency: Alaska Oil and Gas Conservation Commission.
- 2. General subject of regulations: variances and waivers, and on certification of production volumes under sec. 1, ch. 59, SLA 2003AS 31.05.030(j)
- 3. Citation of regulations: 20 AAC 25.
- 4. Reason for the proposed action: to provide for uniform treatment of variances and waivers in regulations, and to implement new legislation allow use of alternative techniques, procedures, equipment, or activities other than those prescribed by current regulations.
- 5. Program category and BRU affected: Alaska Oil and Gas Conservation Commission.
- 6. Cost of implementation to the state agency: zero.
- 7. The name of the contact person for the regulations Jody Colombie, Alaska Oil and Gas Conservation Commission, 333 W. 7th Avenue, Suite 100, Anchorage, AK 99501, (907) 793-1221.
- 8. The origin of the proposed action: state agency.
- 9. Date: October 3, 2003
- 10. Prepared by:
 Jody Colombie
 Special Staff Assistant
 Alaska Oil and Gas Conservation Commission
 (907) 793-1221

Jody Colombie < jody colombie @admin.state.ak.us>

Subject: Proposed Regulations

Date: Thu, 02 Oct 2003 14:03:53 -0800

From: Jody Colombie < jody_colombie@admin.state.ak.us>

Organization: Alaska Oil and Gas Conservation Commission

BCC: Robert E Mintz < robert_mintz@law.state.ak.us>, Christine Hansen < c.hansen@iogcc.state.ok.us>,

John Tanigawa < John T@Evergreen Gas.com >, Terrie Hubble < hubbletl@bp.com >,

Sondra Stewman < StewmaSD@BP.com>,

Scott & Cammy Taylor <staylor@alaska.net>, stanekj <stanekj@unocal.com>,

ecolaw <ecolaw@trustees.org>, roseragsdale <roseragsdale@gci.net>,

trmjr1 <trmjr1@aol.com>, jbriddle <jbriddle@marathonoil.com>,

rockhill <rockhill@aoga.org>, shaneg <shaneg@evergreengas.com>,

rosew <rosew@evergreengas.com>, jdarlington < jdarlington@forestoil.com>,

nelson <nelson@gci.net>, cboddy <cboddy@usibelli.com>,

"mark.dalton" < mark.dalton@hdrinc.com>,

"shannon.donnelly" <shannon.donnelly@conocophillips.com>,

"mark.p.worcester" < mark.p.worcester@conocophillips.com>,

"jerry.c.dethlefs" < jerry.c.dethlefs@conocophillips.com>,

arlenehm <arlenehm@gci.net>, bob <bob@inletkeeper.org>,

wdv <wdv@dnr.state.ak.us>, tjr <tjr@dnr.state.ak.us>, bbritch <bbritch@alaska.net>,

mjnelson <mjnelson@purvingertz.com>, burgin_d <burgin_d@niediak.com>,

"charles.o'donnell" < charles.o'donnell@veco.com>,

"Skillern, Randy L" <SkilleRL@BP.com>, "Dickey, Jeanne H" <DickeyJH@BP.com>,

"Jones, Deborah J" <JonesD6@BP.com>, "Hyatt, Paul G" <hyattpg@BP.com>,

"Rossberg, R Steven" < RossbeRS@BP.com>,

"Shaw, Anne L (BP Alaska)" <ShawAL@BP.com>,

"Kirchner, Joseph F" < KirchnJF@BP.com>, "Pospisil, Gordon" < PospisG@BP.com>,

"Sommer, Francis S" <SommerFS@BP.com>,

"Schultz, Mikel" < Mikel. Schultz@BP.com>,

"Jenkins, David P" <JenkinDP@BP.com>, "Glover, Nick W" <GloverNW@BP.com>,

"Kleppin, Daryl J" <KleppiDE@BP.com>, "Platt, Janet D" <PlattJD@BP.com>,

"Wuestenfeld, Karen S" < Wueste KS@BP.com>,

"Jacobsen, Rosanne M" <JacobsRM@BP.com>, ddonkel <ddonkel@cfl.rr.com>,

collins_mount <collins_mount@revenue.state.ak.us>, mckay <mckay@gci.net>,

"barbara.f.fullmer" <barbara.f.fullmer@conocophillips.com>,

eyancy <eyancy@seal-tite.net>, bocastwf <bocastwf@bp.com>,

cowo <cowo@chevrontexaco.com>, ajiii88 <ajiii88@hotmail.com>,

doug_schultze <doug_schultze@xtoenergy.com>,

"hank.alford" <hank.alford@exxonmobil.com>, yesno1 <yesno1@gci.net>,

"john.w.hanes" < john.w.hanes@exxonmobil.com>,

gspfoff <gspfoff@aurorapower.com>, "gregg.nady" <gregg.nady@shell.com>,

"fred.steece" < fred.steece@state.sd.us>, rcrotty < rcrotty@ch2m.com>,

jejones <jejones@aurorapower.com>, dapa <dapa@alaska.net>,

jroderick < jroderick@gci.net>, eyancey < eyancey@seal-tite.net>,

"james.m.ruud" <james.m.ruud@conocophillips.com>,

Brit Lively <mapalaska@ak.net>, jah <jah@dnr.state.ak.us>,

Kurt E Olson kurt olson@legis.state.ak.us, buonoje kurt olson@legis.state.ak.us)

"Emeka.C.Ezeaku" < Emeka.C.Ezeaku@spdc.shell.com>,

mark hanley <mark hanley@anadarko.com>,

loren_leman <loren_leman@gov.state.ak.us>,
Harry R Bader <harry_bader@dnr.state.ak.us>,
julie_houle <julie_houle@dnr.state.ak.us>, John W Katz <jwkatz@sso.org>,
Suzan J Hill <suzan_hill@dec.state.ak.us>, tablerk <tablerk@unocal.com>,
brady <brady@aoga.org>, Brian Havelock <beh@dnr.state.ak.us>,
bpopp <bpopp@borough.kenai.ak.us>, jimwhite <jimwhite@satx.rr.com>,
Stephanie Ross <Stephanie Ross@thomson.com>

Notice.pdf

Name: Notice.pdf

Type: Acrobat (application/pdf)

Encoding: base64

20 AAC 25.doc

Name: 20 AAC 25.doc

Type: WINWORD File (application/msword)

Encoding: base64

Jody Colombie < jody_colombie@admin.state.ak.us>

Subject: Notice

Date: Thu, 02 Oct 2003 14:00:13 -0800

From: Jody Colombie < jody colombie@admin.state.ak.us>

Organization: Alaska Oil and Gas Conservation Commission

To: Legal Ads Anchorage Daily News < legalads@adn.com>

Please publish the attached tomorrow 10-3-03.

Ad Order form.doc

Name: Ad Order form.doc

Type: WINWORD File (application/msword)

Encoding: base64

Ad-Only Notice.doc

Name: Ad-Only_Notice.doc

Type: WINWORD File (application/msword)

Encoding: base64

Jody Colombie < jody_colombie@admin.state.ak.us>

Subject: Regulation Notice

Date: Thu, 02 Oct 2003 14:00:58 -0800 From: jody colombie@admin.state.ak.us

Organization: Alaska Oil and Gas Conservation Commission

Please publish on web site.

Jody

Notice .doc

Name: 1_Notice_.doc

Type: WINWORD File (application/msword)

Encoding: base64

AK Oil & Gas Conservation Commission

State of Alaska

333 West 7th Avenue Anchorage Alaska 99501

Legislative Reference Library Legislative Affairs Agency State Capitol Juneau AK 99801-1182 Mail Stop 3101

20 AAC 25 is amended by adding a new section to read:

20 AAC 25.001. ALTERNATE COMPLIANCE AND WAIVERS.

The commission will consider the use of alternative techniques, procedures, equipment, or activities other than those prescribed in the regulations of this chapter; if such other techniques, procedures, equipment, or activities afford a degree of protection, safety, or performance equal to or better than that intended to be achieved by the regulations of this chapter. A request for the use of alternative techniques, procedures, equipment, or activities must be provided in writing and accompanied by sufficient justification to judge the equivalence of the proposal. Written approval from the commission is required prior to use.

Authority: AS 31.05.30

(Eff. / / , Register)

| D | | • | |
|----------|---|---|--|
| Register | , | | |

20 AAC 25.005(c)(7) is amended to read:

(7) a diagram and description of the diverter system as required by 20 AAC 25.035 [,UNLESS THIS REQUIREMENT IS WAIVED BY THE COMMISSION UNDER 20 AAC 25.035(H)(2)];

(Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/99, Register 162; am __/__/__,

Register ____)

Authority: AS 31.05.030 AS 31.05.090

20 AAC 25.030(g) is repealed:

Repealed __/_/___. (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/99,

Authority: AS 31.05.030

20 AAC 25.033(j) is repealed:

Repealed __/ / . (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/99,

Register 162; am __/_____, Register _____)

Register 152; am __/___, Register)

| _ | | | |
|----------|--|---|--|
| Register | | , | |

20 AAC 25.036(f) is repealed:

AUTHORITY:

2003 MISCELLANEOUS BOARDS

20 AAC 25.035(c)(1)(B) is amended to read:

(B) at least as large as the diameter of the hole to be drilled, unless a pilot hole with a diameter no larger than that of the vent line is drilled first; [THE COMMISSION WILL WAIVE THE REQUIREMENT OF THIS PARAGRAPH IF THE OPERATOR DEMONSTRATES, BASED ON DRILLING EXPERIENCE IN THE NEAR VICINITY, THAT DRILLING A PILOT HOLE WOULD NOT BE NECESSARY FOR SAFETY (

| - |
|--|
| Eff. 4/13/80, Register 74; am 2/22/81, Register 77; am 4/2/86, Register 97; am 11/7/99, Register |
| 152; am/, Register) |
| Authority: AS 31.05.030 |
| |
| 20 AAC 25.035(h) is repealed: |
| Repealed/ (Eff. 4/13/80, Register 74; am 2/22/81 register 77; am 4/2/86, Register |
| 97; am 11/7/99, Register 152; am/, Register) |
| Authority: AS 31.05.030 |
| |

Repealed __/____, (Eff. 11/7/99, Register 152; am __/____, Register _____)

AS 31.05.030

3

| 20 AAC 25.050(h) is repealed: | |
|--|-----|
| Repealed/ (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/ | 99, |
| Register 152; am/, Register) | |
| AUTHORITY: AS 31.05.030 | |
| | |
| 20 AAC 25.061(c) is repealed: | |
| Repealed/_/ (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/ | 99, |
| Register 152; am/, Register) | |
| | |
| 20 AAC 25.066(d)(3) is repealed: | |
| Eff. 11/7/99, Register 152; am 7/18/03, am Register 167, October 2003; am/_/ | |
| Register) | |
| AUTHORITY: AS 31.05.030 | |
| | |
| 20 AAC 25.112(i) is repealed: | |
| Repealed/ | |
| AUTHORITY: AS 31.05.030 | |
| | |
| 20 AAC 25.228(j) is repealed: | |
| Repealed/ (Eff. 4/2/86, Register 97; am 11/7/99, Register 152; am// | |
| Register) | |
| AUTHORITY: AS 31.05.030 | |

20 AAC 25 is amended by adding a new section to read:

20 AAC 25.233. Commission certification of certain production volumes. (a) A lessee that is obligated to pay the state a royalty on oil produced from a platform or field listed in AS 38.05.180(f)(6)(A), (C), (E), or (G) may file with the commission a written request to certify the volume of oil production from the platform or field under AS 31.05.030(k). The request must identify (1) the calendar quarter or quarters during which the volume of oil production was below the applicable threshold under AS 38.05.180(f)(6)(A), (C), (E), or (G) and for which a certification is desired, and (2) one or more prior calendar quarters during which the volume of oil production equaled or exceeded the applicable threshold. The request must be accompanied by an affidavit of a person acquainted with the facts, certifying that the requester complied with (b) of this section and setting out the names and addresses of the persons to whom the notice required under (b) of this section was mailed and the date of mailing.

- (b) A lessee intending to file a request under (a) of this section shall send notice of the request, including a copy of the request and a statement of the recipient's rights under (c) of this section, by certified mail to the Department of Natural Resources, Division of Oil and Gas, and to all other lessees that are obligated to pay the state a royalty on oil produced from the platform or field that is the subject of the request.
- (c) A person entitled to notice under (b) of this section may file with the commission, no later than 15 days after the date notice was mailed to the person, a statement of the person's position or comments regarding the request, which may include documentary evidence. A person filing a statement shall provide a copy to the requester.
- (d) After the time for filing statements under (c) of this section has expired, the commission will determine whether the average daily oil production during a calendar quarter

| Register, 20 | 03 MISCELLANEOUS BOARDS |
|---|---|
| from the platform or field that is the su | bject of the request has declined below the applicable |
| threshold under AS 38.05.180(f)(6)(A) | , (C), (E), or (G) and, if so, will certify to the Department |
| of Natural Resources the average daily | oil production volume for the calendar quarter or quarters |
| for which the request is made. | |
| (e) The provisions of 20 AAC | 25.540 do not apply to a determination or certification |
| under this section. (Eff/, Re | egister) |
| Authority: AS 31.05.30 AS 31.05 | 5.040 |
| | |
| 20 AAC 25.265(a)(2) is amended to re- | ad: |
| (2) fail-safe automatic surface-contro | lled subsurface safety valve (SSSV) system capable of |
| preventing an uncontrolled flow [,UI | NLESS ANOTHER TYPE OF SUBSURFACE VALVE |
| WITH THAT CAPABILITY IS APPI | ROVED BY THE COMMISSION] this valve must be in |
| the tubing string and located below the | he mudline datum or, if permafrost is present, below the |
| permafrost. | |
| (Eff. 4/13/80, Register 74; am 4/2/86, | Register 97; am 11/7/99, Register 152; am/, |
| Register) | |

Authority: AS 31.05.030 AS 31.05.095

20 AAC 25.285(h) is repealed:

AUTHORITY: AS 31.05.030

Register _____

Repealed ___/___. (Eff. 4/2/86, Register 97; am 11/7/99, Register 152; am ___/____,

Register____,

2003 MISCELLANEOUS BOARDS

20 AAC 25.286(g) is repealed:

Repealed __/__/__. (Eff. 11/7/99, Register 152; am ___/___, Register ____)

AUTHORITY: AS 31.05.030

20 AAC 25.287(f) is repealed.

20 AAC 25 is amended by adding a new section to re-

20 AAC 25.001. ALTERNATE COMPLIANCE A

(a) The commission will consider the use procedures, equipment, or activities other than those prescribed in the chapter; if such other techniques, procedures, equipment, or activities afford a degree of protection, safety, or performance equal to or better than that intended to be achieved by the regulations of this chapter. A request for the use of alternative techniques, procedures, equipment, or activities

must be provided in writing and accompanied by sufficient justification to judge the equivalence

of the proposal. Written approval from the commission is required prior to use.

(b) The commission may approve waivers from the requirements of the regulations of this chapter when such waivers are necessary for the proper control of a well, the facilitation of the proper development of a lease, the conservation of natural resources, or the protection of correlative rights. (Eff. _/_/__, Register____)

| 20 | AAC | 25. | .005(c)(|) is | amended | to | read: |
|----|-----|-----|----------|------|---------|----|-------|
|----|-----|-----|----------|------|---------|----|-------|

(7) a diagram and description of the diverter system as required by 20 AAC 25.035 [,UNLESS THIS REQUIREMENT IS WAIVED BY THE COMMISSION UNDER 20 AAC

25.035(H)(2)];

(Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/99, Register 162; am __/_____,

Register _____)

Authority: AS 31.05.030 AS 31.05.090

20 AAC 25.030(g) is repealed:

Repealed __/___. (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/99,

Register 152; am ___/____, Register _____)

Authority: AS 31.05.030

20 AAC 25.033(j) is repealed:

Repealed __/____. (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/99,

Register 162; am __/____, Register _____)

20 AAC 25.036(f) is repealed:

AUTHORITY:

20 AAC 25.035(c)(1)(B) is amended to read:

(B) at least as large as the diameter of the hole to be drilled, unless a pilot hole with a diameter no larger than that of the vent line is drilled first; [THE COMMISSION WILL WAIVE THE REQUIREMENT OF THIS PARAGRAPH IF THE OPERATOR DEMONSTRATES, BASED ON DRILLING EXPERIENCE IN THE NEAR VICINITY, THAT DRILLING A PILOT HOLE WOULD NOT BE NECESSARY FOR SAFETY]

| Eff. 4/13/80, Register 74; am 2/22/81, Register 77; am 4/2/86, Register 97; an | n 11/7/99, Register |
|--|---------------------|
| 152; am/, Register) | |
| Authority: AS 31.05.030 | |
| | |
| 20 AAC 25.035(h) is repealed: | |
| Repealed/ (Eff. 4/13/80, Register 74; am 2/22/81 register 77; a | ım 4/2/86, Register |
| 97; am 11/7/99, Register 152; am/, Register) | |
| Authority: AS 31.05.030 | |
| | |
| | |

Repealed __/_ / _ . (Eff. 11/7/99, Register 152; am __/___, Register ____)

AS 31.05.030

| Register, | 2003 MISCELLANEOUS |
|-----------|--------------------|
| | |

| 20 AAC 25.050(h) is repealed: | | |
|---|----|----------|
| Repealed/ (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; | am | 11/7/99, |
| Register 152; am/, Register) | | |
| AUTHORITY: AS 31.05.030 | | |
| 20 AAC 25.061(c) is repealed: | | |
| Repealed/ (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; | am | 11/7/99, |
| Register 152; am/, Register) | | |
| 20 AAC 25.066(d)(3) is repealed: | | |
| Eff. 11/7/99, Register 152; am 7/18/03, am Register 167, October 2003; am _ | /_ | / |
| Register) | | |
| AUTHORITY: AS 31.05.030 | | |
| 20 AAC 25.112(i) is repealed: | | |
| Repealed/ (Eff. 11/7/99, Register 152; am/, Register | _) | |
| AUTHORITY: AS 31.05.030 | | |
| 20 AAC 25.228(j) is repealed: | | |
| Repealed// (Eff. 4/2/86, Register 97; am 11/7/99, Register 152; am _ | /_ | / |
| Register) | | |
| AUTHORITY: AS 31.05.030 | | |

20 AAC 25 is amended by adding a new section to read:

Register

20 AAC 25.233. Commission certification of certain production volumes. (a) A lessee that is obligated to pay the state a royalty on oil produced from a platform or field listed in AS 38.05.180(f)(6)(A), (C), (E), or (G) may file with the commission a written request to certify the volume of oil production from the platform or field under AS 31.05.030(k). The request must identify (1) the calendar quarter or quarters during which the volume of oil production was below the applicable threshold under AS 38.05.180(f)(6)(A), (C), (E), or (G) and for which a certification is desired, and (2) one or more prior calendar quarters during which the volume of oil production equaled or exceeded the applicable threshold. The request must be accompanied by an affidavit of a person acquainted with the facts, certifying that the requester complied with (b) of this section and setting out the names and addresses of the persons to whom the notice required under (b) of this section was mailed and the date of mailing.

- (b) A lessee intending to file a request under (a) of this section shall send notice of the request, including a copy of the request and a statement of the recipient's rights under (c) of this section, by certified mail to the Department of Natural Resources, Division of Oil and Gas, and to all other lessees that are obligated to pay the state a royalty on oil produced from the platform or field that is the subject of the request.
- (c) A person entitled to notice under (b) of this section may file with the commission, no later than 15 days after the date notice was mailed to the person, a statement of the person's position or comments regarding the request, which may include documentary evidence. A person filing a statement shall provide a copy to the requester.
- (d) After the time for filing statements under (c) of this section has expired, the commission will determine whether the average daily oil production during a calendar quarter

| Register | , | |
|----------|---|--|

from the platform or field that is the subject of the request has declined below the applicable threshold under AS 38.05.180(f)(6)(A), (C), (E), or (G) and, if so, will certify to the Department of Natural Resources the average daily oil production volume for the calendar quarter or quarters for which the request is made.

| (e) The provisions | s of 20 AAC 25.540 do | not apply to a | determination | on or cer | rtification |
|--------------------------|-----------------------|----------------|---------------|-----------|-------------|
| under this section. (Eff | /_/, Register |) | | | |
| Authority: AS 31.05.30 | AS 31.05.040 | | | | |

20 AAC 25.265(a)(2) is amended to read:

(2) fail-safe automatic surface-controlled subsurface safety valve (SSSV) system capable of preventing an uncontrolled flow [,UNLESS ANOTHER TYPE OF SUBSURFACE VALVE WITH THAT CAPABILITY IS APPROVED BY THE COMMISSION] this valve must be in the tubing string and located below the mudline datum or, if permafrost is present, below the permafrost.

Authority: AS 31.05.030 AS 31.05.095

20 AAC 25.285(h) is repealed:

Repealed __/___. (Eff. 4/2/86, Register 97; am 11/7/99, Register 152; am __/__/__

Register _____

AUTHORITY: AS 31.05.030

| Register, | 2003 MISCELLANEOUS BOARDS |
|---------------------|--|
| 20 AAC 25.286(g) is | s repealed: |
| Repealed//_ | (Eff. 11/7/99, Register 152; am/, Register |
| AUTHORITY: | AS 31.05.030 |
| 20 AAC 25.287(f) is | repealed. |
| Donaslad / / | (Eff 11/7/00 Pagistar 152: am / / Register |

Authority:

AS 31.05.030

Definitions

Waiver - Techniques, procedures, equipment, or activities that deviate from the operating requirements of the regulations and that are necessary for facilitation of the proper development of the lease and afford an acceptable degree of protection, safety, or performance, usually with specific operating restrictions and limitations (e.g., monitoring)

Alternate Compliance - Techniques, procedures, equipment, or activities other than those prescribed in the regulations and that afford a degree of protection, safety, or performance equal to or better than that intended to be achieved by the regulations.

Affected Regulations

By adopting the proposed regulation "Alternate Compliance and Waivers", the following existing regulations should be deleted (see attached for details). Where specific language is quoted, the intent is to remove just the reference to the waiver or variance).

- ✓ 20 AAC 25.005(c)(7) Permit to Drill ("unless this requirement is waived...") ✓ 20 AAC 25.030(g) – Casing and Cementing √ 20 AAC 25.033(i) – Primary Well Control for Drilling: Drilling Fluid Program and Drilling Fluid System $\sqrt{20}$ AAC 25.035(c)(1)(B) – Secondary Well Control for Primary Drilling and Completion: Blowout Prevention Equipment and Diverter Requirements ("the commission will waive...") √ 20 AAC 25.035(h) – Secondary Well Control for Primary Drilling and Completion: Blowout Prevention Equipment and Diverter Requirements ✓ 20 AAC 25.036(f) – Secondary Well Control for Through-Tubing Drilling and Completion: Blowout Prevention Equipment Requirements 4(3) ✓ 20 AAC 25.050(h) – Wellbore Surveys ¥ 20 AAC 25.061(c) - Well Site Surveys
 - 20 AAC 25.066(d) -Gas Detection (newly adopted wording)
 - 20 AAC 25.071(c) Geologic Data and Logs -20 AAC 25.072(b) - Temporary Shutdown of Drilling or Completion Operations ("waive the
 - requirements...") 20 AAC 25.110(d)(2)—Suspended Wells ("the commission will waive the requirement.
 - $\sqrt{20}$ AAC 25.112(i) Well Plugging Requirements
 - 20 AAC 25.172(a) Offshore Location Clearance ("waive requirements of this subsection")
- ✓ 20 AAC 25.228(j) Production Measurement Equipment for Custody Transfer
 - 20 AAC 25.240(b) and (c) Gas-Oil Ratio Limitations
- 20 AAC 25.265(a)(2) Automatic Shut-in Equipment ("unless another type ... is approved by the commission")
 - 20 AAC 25.280(e) Workover Operations
- ✓ 20 AAC 25.285(h) Secondary Well Control for Tubing Workover Operations: Blowout **Prevention Equipment Requirements**
- ✓ 20 AAC 25.286(g) Well Control Requirements for Workstring Service Operations
- ✓ 20 AAC 25.287(f) Well Control Equipment for Wireline Operations
 - 20 AAC 25 450(a) Underground Injection Control Variances ("authorize requirements...less strugent than the requirements in this chapter...")
 - 20 AAC 25.450 (h) Underground Injection Control Variances ("may be operated with less stringent requirements...")



Office of the Attorney General Oil, Gas & Mining Section 1031 W. 4th Avenue, Suite 200

→ AOGCC

1031 W. 4th Avenue, Suite 200 Anchorage, AK 99501-1994

Phone: (907) 269-5255 Fax: (907) 279-8644

Fax Transmission

The information contained in this fax is confidential and/or privileged. This fax is intended to be reviewed initially by only the individual named below. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the above address. Thank you.

| To: | dmm1s510ners | Fax #: | · . |
|----------|--------------|---------------------------------------|---------------------------|
| | | · · · · · · · · · · · · · · · · · · · | - /,/ |
| From: | Rcb Minte | Date: | 9/18/03 |
| | 53 185 | Pages: | 10, including cover sheet |
| Message: | Jody asted | what s | hou b |
| be a | Lody asked | Unotal's | application |
| under | 513 (85. | Hor | 9KC |
| wy | thoughts. | | RECEIVED |

SEP 1 6 2003

Alaska Oil & Gas Cons. Commission
Anchorage

If you do not receive all the pages or have any problems with this fax, please call for assistance at (907) 269-5255.

→ ADGCC

What to Do About Unocal's Request to Certify

Reductions in Oil Platform Production Volumes under SB 185

SB 185 (pertinent excerpts of which are attached) provides for royalty reductions when oil production from certain Cook Inlet fields or platforms falls below prescribed limits. This bill took effect on September 9. Although DNR administers the royalty provisions, the Commission is the agency that certifies the declines in oil production volumes. As added by SB 185, AS 31.05.030(j) provides:

The commission shall certify to the Department of Natural Resources the volume of oil production from a field or platform for the purpose of AS 38.05.180(f)(6)(A), (E), and (G).

In July, Unocal wrote the Commission requesting that qualifying platforms be "automatically certified" and stating specifically that the Baker and Bruce platforms qualified. I don't know what "automatically certified" means, but from speaking to Steve McMains I understand that the Baker and Bruce have been producing at levels below the statutory thresholds. (I believe Baker has been shut in recently – if so, Unocal should probably be asked to update its request.)

How should the Commission respond to Unocal's request? There are procedural choices about how to implement the Commission's function under SB 185, and there are also choices about what factual inquiries should go into making the "certification" called for under the legislation. Finally, there are timing questions to resolve.

I. Procedural Issues

A. Need for regulations

As discussed in my previous communications regarding implementation of SB 185 and regarding the superior court decision in the *Greenpeace* case, the Commission needs to have regulations addressing the procedures to follow when making certifications under AS 31.05.030(j). First of all, AS 31.05.040(a) provides that the "commission shall adopt regulations governing practice and procedure before it under this chapter." (Emphasis supplied.) Second, if we generalize from the court's opinion in *Greenpeace*, certifications under AS 31.05.030(j) are a species of "action" that under AS 31.05.060(b) "must be performed in accordance with regulations of the commission designed to afford persons affected by the action notice and an opportunity to be heard." (Emphasis supplied.)

One approach would be to interpret the existing notice and hearing regulations in 20 AAC 25.540 as applying to these certifications. This has the advantage of being ready-made. However, it does require 30 days public notice before the Commission can act. (This may or may not be an immediate problem – see below on timing.) Also, for the reasons explained below, the Commission would probably want to supplement sec. 540 to provide for direct notice to DNR and to other lessees when requests for certifications are made.

If the Commission would prefer different, perhaps less formal procedures for certifications than those set out in sec. 540, it can certainly propose and adopt regulations to accomplish that. The problem is that the timing of Unocal's application calls for action before such regulations can take effect. In the interim, to use procedures other than those of 20 AAC 25.540, the Commission would have to (a) interpret sec. 540 as *not* covering certifications and (b) justify following different *ad hoc* procedures despite the apparent statutory requirements to set out procedures in regulation.

Perhaps (a) could be accomplished by pointing to the fact that 20 AAC 25.540(a) concerns requests "to issue an order," and by interpreting "order" as implying a more formal type of Commission action than "certify[ing]" a volume under AS 31.05.030(j). Perhaps (b) could be accomplished by pointing to the fact that there is necessarily a lag between when a new statutory authority takes effect and when implementing regulations take effect, and that the Commission is obligated to act on Unocal's request in the meantime, leaving it no option other than to come up with ad hoc procedures. This approach is more risky than following sec. 540, but it is probably a reasonable option.

B. Content of procedures

If the Commission decides it would prefer other procedures than those in sec. 540, what should they be? As I understand it, the process of determining volumes under AS 31.05.030(j) is pretty simple and straightforward, and in general there is probably no need for input from the lessee beyond what would be in the written request for a certification. The main thing is to ensure that those "affected by the action" be afforded "notice and an opportunity to be heard." AS 31.05.060(b).

Unlike most Commission actions, which deal with an operator, certifications under AS 31.05.030(j) directly affect lessees. As such, probably every lessee that produces through the same platform or has an ownership interest in the same field which a request for certification concerns should receive notice of the request. Also, DNR is clearly affected because its royalties stand to be reduced. So DNR should also receive notice. In line with the Commission's

previous holdings, this should be the obligation of the applicant. (Note: even if the Commission decides to follow sec. 540 in handling Unocal's application, it should require Unocal to notify other lessees and DNR.)

Perhaps the simplest way to provide "an opportunity to be heard" to all concerned – including the applicant, other lessees, and DNR – would be for the Commission to respond to an application for certification by internally developing a proposed certification decision and then circulating that proposed decision to the lessees and DNR, allowing them a certain amount of time to comment or object in writing. Then the Commission would issue its final decision.

Alternatively, the lessees and DNR could be given a certain amount of time, e.g., 10 days, within which to comment when they are notified of the application. Then the Commission would issue its final decision, without first circulating a proposed decision.

Although unlikely, I suppose it is conceivable that there could be a serious factual dispute – e.g., if the operator's reported volumes for a platform depended on allocation from periodic well tests and the Commission or DNR questioned the well tests or the allocation (see below). In that event, the procedures might provide for a hearing to be held in accordance with the procedures set out in sec. 540.

II. Factual Inquiries

SB 185 provides for royalty reduction when, for example, "oil production that equaled or exceeded a volume of 1,200 barrels a day [from a specified platform] declines to less than that amount for a period of at least one calendar quarter, as <u>certified by the Alaska Oil and Gas Conservation Commission</u>..." AS 38.05.180(f)(6)(A) (emphasis supplied). Such volumes are to be calculated "based on the average daily production during the calendar quarter." AS 38.05.180(f)(6)(I).

A basic question is whether the Commission should make such certifications solely on the basis of the operator's production reports (on Form 10-405) or whether the Commission should look behind the reports to verify their accuracy. I don't know enough to have an opinion on this question. I can, however, point to several provisions in the Commission's regulations that suggest factual inquiries that could be made if the Commission wished to do so. First, has the operator complied with the production measurement requirements of 20 AAC 25.228? Second, in the case of a platform whose produced fluids are commingled with produced fluids from one or more other platforms before

0.E.F

separation and LACT metering, has the operator complied with the well testing and allocation requirements of 20 AAC 25.230?

My impression from the informal legislative history of the bill is that DNR contemplated that the Commission would just rely on the operator's production reports, but perhaps this could be checked into further.

III. Timing

The first whole month occurring after the effective date of SB 185 is October, and I understand that DNR would apply a change in royalty rates only at the beginning of a month. From my conversation with DNR's royalty accounting manager, I understand that DNR is anticipating that one or more platforms might qualify for a royalty reduction beginning in October, based on the Commission's certifying the production volumes for the July – September 2003 calendar quarter. To allow for timely royalty calculation and reporting for October (which is due in late November), the Commission's certification decisions would be needed by early November.

It is conceivable that Unocal might have a different interpretation of how timing should work under SB 185, but what is described in the preceding paragraph seems right to me.

23-LS0926\Z.A

(LIMITED RUN FOR ALL ADDITIONAL SPONSORSHIPS)

HOUSE CS FOR CS FOR SENATE BILL NO. 185(O&G) am H

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Amended: 5/19/03 Offered: 5/18/03

Sponsor(s): SENATORS WAGONER, Wilken, Ben Stevens, Dyson

REPRESENTATIVES Chenault, Kohring

A BILL

FOR AN ACT ENTITLED

"An Act providing for a reduction of royalty on certain oil produced from Cook Inlet 1 submerged land, and for a credit for certain exploration expenses against oil and gas 2 properties production taxes on oil and gas produced from a lease or property in the 3 state." 4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA: 5 * Section 1. AS 31.05.030 is amended by adding a new subsection to read: 6 (j) The commission shall certify to the Department of Natural Resources the 7 volume of oil production from a field or platform for the purposes of 8 A\$ 38.05.180(f)(6)(A), (C), (E), and (G). 9 * Sec. 2. AS 38.05.180(f) is amended by adding a new paragraph to read: 10 (6) notwithstanding and in lieu of a requirement in the leasing method 11 chosen of a minimum fixed royalty share, or the royalty provision of a lease, for leases 12 unitized as described in (p) of this section, leases subject to an agreement described in 13

14

(s) or (t) of this section, or interests unitized under AS 31.05, the lessee of all or part of

| Ţ | an on need located offshore in Cook thiet on which an oil production platform |
|----|---|
| 2 | specified in (A), (C), or (E) of this paragraph operates, or the lessee of all or part of the |
| 3 | field located offshore in Cook Inlet and described in (G) of this paragraph, |
| 4 | (A) shall pay a royalty of five percent on oil produced from the |
| 5 | platform if oil production that equaled or exceeded a volume of 1,200 barrels a |
| 6 | day declines to less than that amount for a period of at least one calendar |
| 7 | quarter, as certified by the Alaska Oil and Gas Conservation Commission, for |
| 8 | as long as the volume of oil produced from the platform remains less than |
| 9 | 1,200 barrels a day; the provisions of this subparagraph apply to |
| 10 | (i) Dolly; |
| 11 | (ii) Grayling; |
| 12 | (iii) King Salmon; |
| 13 | (iv) Steelhead; and |
| 14 | (v) Monopod; |
| 15 | (B) shall pay a royalty calculated under this subparagraph if the |
| 16 | volume of oil produced from the platform that was certified by the Alaska Oil |
| 17 | and Gas Conservation Commission under (A) of this paragraph later increases |
| 18 | to 1,200 or more barrels a day and remains at 1,200 or more barrels a day for a |
| 19 | period of at least one calendar quarter; until the royalty rate determined under |
| 20 | this subparagraph applies, the royalty continues to be calculated under (A) of |
| 21 | this paragraph; on and after the first day of the month following the month the |
| 22 | increased production exceeds the period specified in this subparagraph, the |
| 23 | royalty payable under this subparagraph is |
| 24 | (i) for production of at least 1,200 barrels a day but not |
| 25 | more than 1,300 barrels a day - seven percent; |
| 26 | (ii) for production of more than 1,300 barrels a day but |
| 27 | not more than 1,400 barrels a day - 8.5 percent; |
| 28 | (iii) for production of more than 1,400 barrels a day but |
| 29 | not more than 1,500 barrels a day - 10 percent; and |
| 30 | (iv) for production of more than 1,500 barrels a day - |
| 31 | 12.5 percent; |

ATTORNEY GENERAL'S DEF

| 1 | (C) shall pay a royalty of five percent on oil produced from the |
|----|--|
| 2 | platform if oil production that equaled or exceeded a volume of 975 barrels a |
| 3 | day declines to less than that amount for a period of at least one calendar |
| 4 | quarter, as certified by the Alaska Oil and Gas Conservation Commission, for |
| 5 | as long as the volume of oil produced from the platform remains less than 975 |
| 6 | barrels a day; the provisions of this subparagraph apply to |
| 7 | (i) Baker; |
| 8 | (ii) Dillon; |
| 9 | (iii) XTO.A; and |
| 10 | (iv) XTO.C; |
| 11 | (D) shall pay a royalty calculated under this subparagraph if the |
| 12 | volume of oil produced from the platform that was certified by the Alaska Oil |
| 13 | and Gas Conservation Commission under (C) of this paragraph later increases |
| 14 | to 975 or more barrels a day and remains at 975 or more barrels a day for a |
| 15 | period of at least one calendar quarter; until the royalty rate determined under |
| 16 | this subparagraph applies, the royalty continues to be calculated under (C) of |
| 17 | this paragraph; on and after the first day of the month following the month the |
| 18 | increased production exceeds the period specified in this subparagraph, the |
| 19 | royalty payable under this subparagraph is |
| 20 | (i) for production of at least 975 barrels a day but not |
| 21 | more than 1,100 barrels a day - seven percent; |
| 22 | (ii) for production of more than 1,100 barrels a day but |
| 23 | not more than 1,200 barrels a day - 8.5 percent; |
| 24 | (iii) for production of more than 1,200 barrels a day but |
| 25 | not more than 1,350 barrels a day - 10 percent; and |
| 26 | (iv) for production of more than 1,350 barrels a day - |
| 27 | 12.5 percent; |
| 28 | (E) shall pay a royalty of five percent on oil produced from the |
| 29 | platform if oil production that equaled or exceeded a volume of 750 barrels a |
| 30 | day declines to less than that amount for a period of at least one calendar |
| 31 | quarter, as certified by the Alaska Oil and Gas Conservation Commission, for |
| | |

ATTORNEY GENERAL'S OFF

| i | as long as the volume of oil produced from the platform remains less than 750 |
|----|--|
| 2 | barrels a day; the provisions of this subparagraph apply to |
| 3 | (i) Granite Point; |
| 4 | (ii) Anna; and |
| 5 | (iii) Bruce; |
| 6 | (F) shall pay a royalty calculated under this subparagraph if the |
| 7 | volume of oil produced from the platform that was certified by the Alaska Oil |
| 8 | and Gas Conservation Commission under (E) of this paragraph later increases |
| 9 | to 750 or more barrels a day and remains at 750 or more barrels a day for a |
| 10 | period of at least one calendar quarter; until the royalty rate determined under |
| 11 | this subparagraph applies, the royalty continues to be calculated under (E) of |
| 12 | this paragraph; on and after the first day of the month following the month the |
| 13 | increased production exceeds the period specified in this subparagraph, the |
| 14 | royalty payable under this subparagraph is |
| 15 | (i) for production of at least 750 barrels a day but not |
| 16 | more than 850 barrels a day - seven percent; |
| 17 | (ii) for production of more than 850 barrels a day but |
| 18 | not more than 1,000 barrels a day - 8.5 percent; |
| 19 | (iii) for production of more than 1,000 barrels a day but |
| 20 | not more than 1,200 barrels a day - 10 percent; and |
| 21 | (iv) for production of more than 1,200 barrels a day - |
| 22 | 12.5 percent; |
| 23 | (G) shall pay a royalty of five percent on oil produced from the |
| 24 | field if oil production that equaled or exceeded a volume of 750 barrels a day |
| 25 | declines to less than that amount for a period of at least one calendar quarter, |
| 26 | as certified by the Alaska Oil and Gas Conservation Commission, for as long |
| 27 | as the volume of oil produced from the field remains less than 750 barrels a |
| 28 | day; the provisions of this subparagraph apply to the West McArthur River |
| 29 | field; |
| 30 | (H) shall pay a royalty calculated under this subparagraph if the |
| 31 | volume of oil produced from the field that was certified by the Alaska Oil and |
| | |

| 1 | das Conservation Commission under (O) of this paragraph later mercases to |
|----|--|
| 2 | 750 or more barrels a day and remains at 750 or more barrels a day for a period |
| 3 | of at least one calendar quarter; until the royalty rate determined under this |
| 4 | subparagraph applies, the royalty continues to be calculated under (G) of this |
| 5 | paragraph; on and after the first day of the month following the month the |
| 6 | increased production exceeds the period specified in this subparagraph, the |
| 7 | royalty payable under this subparagraph is |
| 8 | (i) for production of at least 750 barrels a day but not |
| 9 | more than 850 barrels a day - seven percent; |
| 10 | (ii) for production of more than 850 barrels a day but |
| 11 | not more than 1,000 barrels a day - 8.5 percent; |
| 12 | (iii) for production of more than 1,000 barrels a day but |
| 13 | not more than 1,200 barrels a day - 10 percent; and |
| 14 | (iv) for production of more than 1,200 barrels a day - |
| 15 | 12.5 percent; and |
| 16 | (I) may obtain the benefits of the royalty adjustments set out in |
| 17 | (A) - (H) of this paragraph only if the commissioner determines that the |
| 18 | reduction in production from the platform or the field is |
| 19 | (i) based on the average daily production during the |
| 20 | calendar quarter based on reservoir conditions; and |
| 21 | (ii) not the result of short-term production declines due |
| 22 | to mechanical or other choke-back factors, temporary shutdowns or |
| 23 | decreased production due to environmental or facility constraints, or |
| 24 | market conditions. |
| 25 | * Sec. 3. AS 43,55 is amended by adding a new section to read: |
| 26 | Sec. 43.55.025. Oil and gas exploration tax credit. (a) Subject to the terms |
| 27 | and conditions of this section, on oil and gas produced on or after July 1, 2004, a |
| 28 | credit against the tax due under this chapter is allowed in an amount equal to |
| 29 | (1) 20 percent of the total exploration expenditures that qualify under |
| 30 | (b) and (c) of this section, 20 percent of the total exploration expenditures that qualify |
| 31 | under (b) and (d) of this section, or both, for a total credit that does not exceed 40 |

Revised June 2002

AGENCY CHECKLIST — "REGULAR" REGULATIONS

| DRAF | TING |
|---------------|---|
| DKAI. | Discuss project timeline with legislation and regulations section if the project has an effective date deadline |
| | or other urgency or is lengthy or complex. |
| \sim | Proposed regulations drafted and reviewed by agency in accordance with law and this manual. |
| - | Prepare fiscal note, if necessary. Appendix F. |
| 1 | Draft the public notice of proposed regulations; prepare additional regulations notice information. Public |
| | notice must include: (1) references to statutory authority and statutes being implemented, interpreted, or |
| | made specific; (2) informative summary (not text) of regulations; (3) summary of fiscal information; |
| | (4) deadline and address for submission of written comments (if an oral hearing is held, the time, date, and |
| | place of the hearing); and (5) any information required by the relevant program statute. Appendices D and |
| . / | E. |
| V | Request the regulations attorney to open Department of Law file (Appendix G) and agency attorney review |
| | of draft regulations and draft public notice. |
| DITTO | ICATION AND DISTRIBUTION OF NOTICE |
| PUBL | ICATION AND DISTRIBUTION OF NOTICE Published in newspaper(s) of general circulation or trade journal(s); request return of affidavit of |
| | publication from newspapers and trade journals. |
| N | Furnished to the head of the department in which adopting agency is located (if adopting agency is not a |
| `` | principal department). |
| ω | Furnished to all persons on "interested persons" list and others thought to be interested. |
| 1000 | Furnished to the <u>regulations attorney</u> in the Department of Law (along with proposed regulations). |
| | Electronically transmitted to all incumbent (and newly elected) state legislators; furnished to Legislative |
| | Affairs Agency (library). |
| | Additional regulations notice information sent with notice to interested persons, legislators, Legislative |
| | Affairs Agency (library), and regulations attorney. Appendix E. |
| 1 | Notice and additional regulations notice information posted on the Alaska Online Public Notice System. |
| | Prepare affidavit of notice of proposed regulation adoption. Appendix H. |
| DIIDI | |
| PUBL. | IC COMMENT Written comments collected. |
| | Oral public hearing, if any, conducted; prepare affidavit of oral hearing. Appendix I. |
| <u> </u> | Written comments and any oral comments received before deadline are carefully considered, including |
| | comments on costs of compliance to private persons. |
| | Use or rejection of written comments is documented (not applicable to boards and commissions). |
| | Obe of rejection of written comments is documented (not appreciate to 1986) |
| ADOP | TION OF REGULATIONS |
| | Final version of regulations is prepared in proper final format (see pp. 65 - 69 of Ch. 7 and sample |
| | regulations in Appendix C). |
| | Agency formally adopts regulations by signing adoption order or, for a board or commission, voting to |
| | adopt during a properly noticed public meeting; certification order prepared, if appropriate. Appendices J |
| | and L. Delegation attached, if required. Appendices O and P. Designation as "acting commissioner" |
| | attached, if required. |
| | Relevant portion of minutes of board or commission meeting and staff affidavit prepared, if certification |
| | order was signed. Appendices M and N. |
| | Affidavit of agency record of public comment prepared (Appendix K) (not applicable to boards and |
| | commissions). |
| | |
| | |
| TRAN | SMITTAL TO DEPARTMENT OF LAW |
| TRAN | Completed project is sent to the regulations attorney in the Department of Law. Transmittal must include: |
| TRAN | Completed project is sent to the <u>regulations attorney</u> in the Department of Law. Transmittal must include: 1. cover memo to the regulations attorney stating the Department of Law <u>file number</u> , any |
| TRAN | Completed project is sent to the <u>regulations attorney</u> in the Department of Law. Transmittal must include: 1. cover memo to the regulations attorney stating the Department of Law <u>file number</u> , any particular issues regarding the project, noting any urgency or requested effective date, |
| TRAN | Completed project is sent to the <u>regulations attorney</u> in the Department of Law. Transmittal must include: 1. cover memo to the regulations attorney stating the Department of Law <u>file number</u> , any particular issues regarding the project, noting any urgency or requested effective date, and requesting review and approval; Appendix Q; |
| TRAN | Completed project is sent to the <u>regulations attorney</u> in the Department of Law. Transmittal must include: 1. cover memo to the regulations attorney stating the Department of Law <u>file number</u> , any particular issues regarding the project, noting any urgency or requested effective date, |
| TRAN | Completed project is sent to the <u>regulations attorney</u> in the Department of Law. Transmittal must include: 1. cover memo to the regulations attorney stating the Department of Law <u>file number</u> , any particular issues regarding the project, noting any urgency or requested effective date, and requesting review and approval; Appendix Q; |

Page 141

| APPI | ENDIX A | AGENCY CHECKLIST /"REGULAR" REGULATIONS |
|-------|-------------------------|--|
| | _ | |
| | 3. | one copy of final version of regulations and public notice for the governor's office use (not applicable to boards and commissions); |
| | 4. | original signed adoption order or certification order; |
| | 5. | a copy of any delegation of authority or "acting commissioner" designation; |
| | 6. | relevant minutes of board or commission meeting and staff affidavit, if a <u>certification</u> order is being submitted; |
| | 7. | a full-size original or copy of public notice; |
| | 8. | additional regulations notice information form that was distributed with the public notice; |
| | 9. | fiscal note, if required; |
| | 10. | original affidavit of notice of proposed regulation adoption; |
| | 9. 10. 11. 12. | original publishers' affidavits of publication; |
| | 12. | original affidavit of oral hearing, if one was held; |
| | 13. | original affidavit of agency record of public comment (not applicable to boards and commissions); |
| | 14. | any other relevant documents (such as material adopted by reference). |
| FILIN | G AND EFFE | CCTIVE DATES |
| | | e of Department of Law approval of regulations. |
| | | e regulations filed by the lieutenant governor's office, unless returned under AS 44.62.040(c), |
| | | pplicable. |
| | Eff | ective date of regulations. |
| | Sun | nmary of text of filed regulations, indicating the effective date, posted on the Alaska Online |
| | Pub | lic Notice System. |